



世纪阳光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

世紀陽光生態科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8276)

2005

THIRD QUARTERLY REPORT

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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” and individually a “Director”) of Century Sunshine Ecological Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed 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.



HIGHLIGHTS

Turnover of the Group for the period under review amounted to RMB117,878,000, representing an increase of 88% over the corresponding period of 2004.

Profit for the period for the nine months ended 30 September 2005 increased by approximately 76% to RMB40,179,000 as compared to the corresponding period of 2004.

The Group plans to build production facilities with annual production capacity of 400,000 tonnes of organic fertilizers in South-western, Fujian province, the PRC.

The modification and installation of the Group's pesticide production facilities are expected to be completed in November 2005 with an annual production capacity of 1,800 tonnes of bio-pesticides products.



CONSOLIDATED RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months and nine months ended 30 September 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Turnover	2	54,944	28,154	117,878	62,720
Cost of sales		(26,742)	(11,972)	(56,204)	(27,340)
Gross profit		28,202	16,182	61,674	35,380
Other revenue		85	124	510	125
Distribution and selling expenses		(2,244)	(1,126)	(5,019)	(2,429)
General and administrative expenses		(4,310)	(1,754)	(11,046)	(4,197)
Research and development costs		(683)	(1,498)	(984)	(5,957)
Operating profit		21,050	11,928	45,135	22,922
Finance costs		(431)	(8)	(968)	(128)
Profit before taxation		20,619	11,920	44,167	22,794
Taxation	3	(920)	-	(3,988)	-
Profit for the period		19,699	11,920	40,179	22,794
Attributable to:					
Equity holders of the Company		19,699	11,926	40,179	22,829
Minority interest		-	(6)	-	(35)
Dividend	4	-	-	5,088	-
Earnings per share:					
Basic	5	RMB6.1 cents	RMB3.7 cents	RMB12.4 cents	RMB7.1 cents
Diluted	5	RMB5.9 cents	-	RMB11.9 cents	-



Notes:

1. Group reorganization and basis of preparation of the accounts

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 reorganization completed on 30 January 2004 (the "Reorganization") in preparation for the listing of the Company's share on GEM, the Company became the holding company of the subsidiaries. Details of the Reorganization were set out in the prospectus issued by the Company dated 5 February 2004. The shares of the Company were listed on GEM on 17 February 2004 (the "Listing Date").

The unaudited consolidated results has been prepared on the basis of merger accounting as if the current group structure has been in existence since 1 January 2004, except for the acquisition of additional interests in Sanming Municipality Century Sunshine Agricultural Technology Development Company Limited and entire interests in Excellent Pesticide (Nanchang) Limited, which have been accounted for using acquisition accounting.

Principal accounting policies adopted by the Group in arriving at the financial information set out in this report are the same as those adopted in preparing the 2004 annual financial statements, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The Directors considered that the adoption of the new HKFRS has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been made.

The consolidated results are unaudited but have been reviewed by the audit committee of the Board (the "Audit Committee").



2. Turnover

The Group is engaged in the production and sale of organic fertilizers and bio-pesticides. Revenues recognized during the three months and nine months ended 30 September 2005 with the comparative figures for the corresponding periods in 2004 are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Sales of				
– Microbial compound fertilizers	12,561	13,005	33,247	27,963
– Organic tea fertilizers	5,637	7,441	18,826	16,670
– Eucalypt tree organic fertilizers	16,039	–	21,645	–
– Premium organic fertilizers	10,654	1,230	19,406	2,821
– Organic compound fertilizers	7,714	6,478	19,381	15,266
	52,605	28,154	112,505	62,720
– Bio-pesticides	2,339	–	5,373	–
Total revenues	54,944	28,154	117,878	62,720

The business segmental results for the nine months ended 30 September 2005 are as follows:

	Nine months ended 30 September 2005			
	Organic fertilizers RMB'000 (unaudited)	Bio-pesticides RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Sales	112,505	5,373	–	117,878
Operating profit	51,411	895	(7,171)	45,135
Finance costs				(968)
Profit before taxation				44,167
Taxation				(3,988)
Profit for the period				40,179

No business segmental results is presented for the nine months end 30 September 2004 as the Group was only engaged in the production and sale of organic fertilizers during the period.

The Group's operations are principally carried out in the PRC and the Group's assets are substantially located in Hong Kong and the PRC. Accordingly, no geographical segmental results is presented.

3. Taxation

No provision for Hong Kong profit tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for the nine months ended 30 September 2005 (2004: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Three months ended 30 September		Nine months ended 30 September	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Current income tax:				
Hong Kong profits tax	-	-	-	-
Overseas taxation	920	-	3,988	-
	920	-	3,988	-

The Group had no material unprovided deferred tax (2004: Nil).

4. Dividend

At the Board meeting held on 22 March 2005, the Board proposed a payment of final dividend of HK\$0.03 per share for the year ended 31 December 2004, which was approved at the annual general meeting of the Company on 29 April 2005 and was subsequently paid on 9 May 2005 and has been reflected as an appropriation of retained earnings for the nine months ended 30 September 2005.

At the Board meeting held on 3 August 2005, the Board recommended a payment of interim dividend of HK\$0.015 per share for the year ending 31 December 2005 (2004: Nil) to the shareholders of the Company whose name appeared in the register of members on 25 August 2005 and was subsequently paid on 23 September 2005 and has been reflected as an appropriation of retained earnings for the nine months ended 30 September 2005.

The Directors do not recommend a payment of third-quarter dividend for the year ending 31 December 2005 (2004: Nil)

5. Earnings per share

The calculation of the basic and diluted earnings per share for the three months and nine months ended 30 September 2005 and 30 September 2004 is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Profit for the period	19,699	11,926	40,179	22,829
Weighted average number of shares for the calculation of basic earnings per share	322,839,537	320,000,000	322,839,537	320,000,000
Effect of dilutive potential shares on the outstanding share options	13,457,357	N/A	14,740,948	N/A
Weighted average number of shares for the calculation of diluted earnings per share	336,296,894	N/A	337,580,485	N/A

For the three months and nine months ended 30 September 2004, diluted earnings per share is not presented as the Company had no dilutive potential ordinary shares as at 30 September 2004.

6. Capital structure

	<i>Notes</i>	Number of shares	Par value per share	Paid up amount <i>RMB'000</i>
As at 31 December 2003		240,000,000	HK\$0.10	1,802
Capitalisation of premium account	b	–	–	23,638
New issue of shares	a	80,000,000	HK\$0.10	8,480
As at 30 September 2004		320,000,000	HK\$0.10	33,920
As at 31 December 2004		320,000,000	HK\$0.10	33,920
New issue of shares upon exercise of share options		21,905,000	HK\$0.10	2,322
As at 30 September 2005	c	341,905,000	HK\$0.10	36,242

Notes:

- (a) On 17 February 2004, 80,000,000 shares of HK\$0.10 each were issued at HK\$0.55 each by way of placing and public offer, generating net cash proceeds of approximately HK\$33,000,000. The premium over the par value of the shares was credited to the share premium account.
- (b) Immediately after the placing and public offer mentioned in Note (a) above, share premium of HK\$22,300,000 was capitalized 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.
- (c) On 26 August 2005, 21,905,000 shares of HK\$0.10 each were allotted and issued upon the exercise of 21,905,000 share options at the exercise price of HK\$0.63 each. The premium over the par value of the shares was credited to the share premium account.

7. Reserves

	Share Capital	Share Premium	Capital Reserve	Employee Share-based Compensation Reserve	Statutory Reserves	Share Issuance Costs	Retained Earnings	Exchange Reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2004	1,802	-	8,699	-	4,437	(3,343)	21,873	-	33,468
Capitalization of amount due to shareholders	-	-	3,266	-	-	-	-	-	3,266
Profit for the period	-	-	-	-	-	-	22,829	-	22,829
Appropriation of retained earnings	-	-	-	-	1,574	-	(1,574)	-	-
Issuance of shares on listing	8,480	38,160	-	-	-	-	-	-	46,640
Capitalization of share premium accounts	23,638	(23,638)	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	(7,808)	-	-	(7,808)
Share issuance costs credited against share premium upon issue of shares	-	(11,151)	-	-	-	11,151	-	-	-
Exchange differences	-	-	-	-	-	-	-	28	28
As at 30 September 2004	33,920	3,371	11,965	-	6,011	-	43,128	28	98,423
As at 1 January 2005	33,920	3,371	11,965	-	7,324	-	55,071	29	111,680
Issuance of shares upon exercise of options	2,322	12,306	-	-	-	-	-	-	14,628
Profit for the period	-	-	-	-	-	-	40,179	-	40,179
Employee share option benefits	-	-	-	3,177	-	-	-	-	3,177
Reserve transfer upon exercise of options	-	-	-	(1,654)	-	-	1,654	-	-
Payment of final dividend for the year of 2004	-	-	-	-	-	-	(10,176)	-	(10,176)
Payment of interim dividend for the year of 2005	-	-	-	-	-	-	(5,088)	-	(5,088)
Exchange difference	-	-	-	-	-	-	-	(3)	(3)
As at 30 September 2005	36,242	15,677	11,965	1,523	7,324	-	81,640	26	154,397



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Turnover of the Group for the nine months ended 30 September 2005 amounted to RMB117,878,000, representing an increase of 88% from the corresponding period in 2004. The increase was principally attributable to the following reasons:

i. Market demand for our products remains strong

There has been a continued trend in demand for our organic fertilizers due to the prevalence of organic farming concept in Fujian and Jiangxi provinces. During the nine-month period, our total sales volume reached 73,000 tonnes, representing an increase of 103% from the same period last year.

ii. Significant capacity contribution from our Jiangxi plant

Our new plant in Jiangxi province commenced production in this May with an annual production capacity of 100,000 tonnes. It is the largest among our three production plants and accounts for 65% of our total annual production capacity. It contributed significantly to our growth in the nine-month period.

iii. Launch of eucalypt tree organic fertilizer

We launched the eucalypt tree organic fertilizer in this April. This new product was well-received by the market and accounted for 18% of our total turnover in the nine-month period.

Gross profit

For the nine-month period, gross profit amounted to RMB61,674,000. Gross profit margin decreased slightly by 4% to 52% from the same period last year. Such decrease was principally due to the significant increase in turnover of eucalypt tree organic fertilizer. Gross profit margin of eucalypt tree organic fertilizer is about 44% which is relatively lower than the other products, thus resulting in a slight decrease in the average gross profit margin. The gross profit margins of our other products remained stable from the last period.

Distribution and selling expenses

Distribution and selling expenses amounted to RMB5,019,000, representing an increase of 107% from the same period last year. Following the commencement of operation of our Jianou plant in August 2004 and Jiangxi plant in May 2005, we recruited more sales personnel and increased our marketing and advertising activities. As a result, salary expenses and advertising costs increased by 98% and 86% respectively from the same period last year.



General and administrative expenses

General and administrative expenses amounted to RMB11,046,000, including a charge for share options of RMB3,177,000 which was incurred in accordance with the new HKFRS adopted in 2005. Without taking into account the share option charge, general and administrative expenses increased by RMB3,672,000 or 87% from the same period last year. This was principally attributable to the increase of salary expenses as a result of recruitment of administrative and factory staffs following the commencement of operation of two new plants.

Research and development costs

Research and development costs decreased by 83% from RMB5,957,000 to RMB984,000. During the nine-month period, we focused on the review and testing of the existing products and did not engage any new research projects.

The Group's profit attributable to shareholders for the nine months ended 30 September 2005 was RMB40,179,000, representing an increase of 76% from the corresponding period in 2004.

BUSINESS OUTLOOK

Land purchase and capacity expansion

In this October, we purchased a parcel of land with a site area of 126,700 square meters in Yunxiao, southern Fujian province. We plan to build on this land production facilities with a total annual production capacity of 400,000 tonnes of organic fertilizers. We plan to complete these facilities in two phases: phase I with 200,000 tonnes of capacity to be completed by December 2006 and phase II with 200,000 tonnes of capacity to be completed by December 2007. Upon completion, our total capacity will reach 550,000 tonnes, or 3.7 times our current capacity. We believe that the market demand for organic fertilizers will remain strong in the foreseeable future and it is necessary to plan for capacity expansion in order to meet such demand. The new site is conveniently located next to the state-highway in south-western Fujian which will allow us to cover not only Fujian province but also the nearby Guangdong province.

Eucalypt tree organic fertilizer

Our eucalypt tree organic fertilizer has been well-received by the market since its official launch in April 2005. We expect the demand for this product to remain strong in the near future due to the rapid growth of plantation of eucalypt trees in the southern provinces of the PRC. We thus expect that eucalypt tree organic fertilizer will be our major driver of growth and will make significant contribution to the Group's turnover for this financial year.

Bio-pesticides

We expect the modification and installation of our pesticide production facilities to be completed in this November with an annual production capacity of 1,800 tonnes of bio-pesticides products. We expect the new facility will bring us a new source of income in the near future.

The fourth quarter of the year is traditionally our peak-season in terms of production and sales. For the financial year ended 31 December 2004, the fourth quarter accounted for about one-third of the total turnover of the year. Looking ahead, we are optimistic about the prospects of this fourth quarter and expect the full-year results to be promising.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 September 2005, the relevant interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

(i) Directors' interests in the Company

Long positions in shares

Name of Director	Capacity	Number of shares	Percentage of issued share capital of the Company
Chi Wen Fu	Corporate (Note 1)	193,696,970	56.7%
Shum Sai Chit	Personal	16,000,000	4.7%
Zhou Xing Dun	Personal	1,400,000	0.4%
Wu Wen Jing, Benjamin	Personal	3,440,000	1.0%

Note:

1. Mr. Chi Wen Fu is beneficially interested in 80% of the entire issued share capital of Alpha Sino International Limited, 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 as at 30 September 2005.

(ii) *Directors' interests in associated corporations*

Name	Name of associated corporation	Nature of interest and capacity	Total number of shares	Approximate percentage of interest
Chi Wen Fu	Alpha Sino International Limited	Personal (Note 1)	8	80%
Zou Li	Alpha Sino International Limited	Personal (Note 1)	2	20%

Note:

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

Save as disclosed above, as at 30 September 2005, none of the Directors or chief executive of the Company or their respective associates had interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme (the "Scheme") adopted on 31 January 2004 by the written resolutions of the Company's then sole shareholder, Alpha Sino International Limited, the Company granted certain options to the following Directors which entitle the holders to subscribe for ordinary shares of the Company. Further details of the Scheme are set out under the heading "Share Option Scheme" below. During the period under review, 2,000,000 options were granted to the Directors and 1,800,000 options were exercised by the Director.

Details of the share options outstanding as at 30 September 2005 are as follows:

(i) Share options granted on 11 October 2004

Name of Director	Options held at 1 January 2005	Options exercised during the period	Options held at 30 September 2005	Exercise price of options	Exercisable in January 2009
Zhou Xing Dun	3,200,000	1,800,000	1,400,000	HK\$0.63	1,400,000

(ii) Share options granted on 17 June 2005

Name of Director	Options held at 1 January 2005	Options granted during the period	Options exercised or cancelled during the period	Options held at 30 September 2005	Exercise price of options	Exercisable between July and December 2006	Exercisable between July and December 2007	Exercisable between July 2008 and March 2009
Wu Wen Jing, Benjamin	-	1,000,000	-	1,000,000	HK\$1.47	500,000	500,000	-
Cheung Sound Poon	-	500,000	-	500,000	HK\$1.47	150,000	150,000	200,000
Kwong Ping Man	-	500,000	-	500,000	HK\$1.47	150,000	150,000	200,000

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 31 January 2004, the Scheme was approved by a written resolution of the shareholders of the Company. The purpose of the Scheme is to attract and retain the best quality employees for the development of the Company's businesses and to provide additional incentives or rewards to selected qualifying participants of the Scheme for their contribution to the creation of the Company's shareholders value. Under the Scheme, the Company may grant options to the Directors or employees of the Group to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The subscription price is not less than the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the shares on GEM as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of a share of HK\$0.10. The maximum number of shares in respect of which options may be granted under the Scheme shall not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

Details of the share options granted and remain outstanding as at 30 September 2005 are as follows:

(A) Share options granted on 11 October 2004

	Options held at 1 January 2005	Options exercised during the period	Options lapsed/cancelled during the period	Options held at 30 September 2005	Exercise price HK\$	Exercisable in December 2007	Exercisable in January 2009
(A) Employee	14,500,000	(14,500,000)	-	-	0.63	-	-
	600,000	(300,000)	-	300,000	0.63	300,000	-
	11,810,000	(5,305,000)	-	6,505,000	0.63	-	6,505,000
	1,250,000	-	-	1,250,000	0.63	-	1,250,000
(B) Director	3,200,000	(1,800,000)	-	1,400,000	0.63	-	1,400,000
	31,360,000	(21,905,000)	-	9,455,000		300,000	9,155,000

(B) Share options granted on 17 June 2005

	Options held at 1 January 2005	Options granted during the period	Options lapsed/ cancelled during the period	Options held at 30 September 2005	Exercise price HK\$	Exercisable between July and December 2006	Exercisable between July and December 2007	Exercisable between July 2008 and March 2009
(A) Employee	-	6,000,000	-	6,000,000	1.47	6,000,000	-	-
	-	6,200,000	-	6,200,000	1.47	2,600,000	3,600,000	-
	-	5,300,000	-	5,300,000	1.47	1,600,000	1,600,000	2,100,000
(B) Director	-	1,000,000	-	1,000,000	1.47	500,000	500,000	-
	-	1,000,000	-	1,000,000	1.47	300,000	300,000	400,000
	-	19,500,000	-	19,500,000		11,000,000	6,000,000	2,500,000

Notes:

1. During the period under review, 19,500,000 options were granted and 21,905,000 options were exercised.
2. For options granted and exercised by the Directors, please refer to the section headed "Directors' right to acquire shares or debentures" for details.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, so far as is known to any Director or chief executive of the Company, the following persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of the Division 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Number of shares	Percentage of issued share capital of the company
Alpha Sino International Limited	Beneficial Owner (Note 1)	193,696,970	56.7%
Qi Yuan Asset Management (H.K.) Ltd	Beneficial Owner	19,295,000	5.6%

Note:

- The entire issued share capital of Alpha Sino International Limited is beneficially owned as to 80% and 20% by Mr. Chi Wen Fu and Ms. Zou Li, respectively.

Save as disclosed herein, as at 30 September 2005, so far as is known to any Director or chief executive of the Company, no persons (other than a Director or the chief executive of the Company) has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders of the Company had any interest in a business that competed or might compete with the business of the Group.



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 30 September 2005.

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors.



AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted in accordance with the GEM Listing Rules.

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 internal and external audit and of internal controls and risk evaluation. The Audit Committee has three members comprising all the independent non-executive Directors, namely Messrs. Shen Yi Min, Cheung Sound Poon and Kwong Ping Man. Mr. Cheung Sound Poon is the chairman of the Audit Committee.

During the nine months ended 30 September 2005, the Audit Committee held three meeting for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board.

The Group's unaudited consolidated results for the nine months ended 30 September 2005 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results was complied with the applicable accounting standard.

By order of the Board

Chi Wen Fu

Chairman

Hong Kong, 8 November 2005