



世纪阳光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED
世紀陽光生態科技控股有限公司



ORGANIC



HEALTHY



ECOLOGICAL



2006
Interim Report

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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 six months ended 30 June 2006 amounted to RMB132,919,000, representing an increase of 111% over the corresponding period of 2005.

Profit attributable to equity holders for the six months ended 30 June 2006 increased by approximately 136% to RMB48,362,000 as compared to the corresponding period of 2005.

The Board recommends a payment of interim dividend of HK\$0.02 per share for the year ending 31 December 2006.

INTERIM RESULTS

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 six months and three months ended 30 June 2006, together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Turnover	3	132,919	62,934	83,099	37,220
Cost of sales		(67,094)	(29,462)	(42,155)	(18,806)
Gross profit		65,825	33,472	40,944	18,414
Other gain		2,067	425	1,323	107
Selling and marketing costs		(2,553)	(2,775)	(1,456)	(1,863)
Administrative expenses		(10,914)	(7,037)	(5,854)	(3,733)
Operating profit	4	54,425	24,085	34,957	12,925
Finance costs		(247)	(537)	(19)	(396)
Profit before taxation		54,178	23,548	34,938	12,529
Income tax expenses	5	(5,816)	(3,068)	(3,614)	(1,422)
Profit for the period		48,362	20,480	31,324	11,107
Attributable to:					
Equity holders of the Company		48,362	20,480	31,324	11,107
Minority interest		-	-	-	-
Earnings per share: (expressed in RMB per share)					
Basic	6	RMB12.1 cents	RMB6.4 cents	RMB7.9 cents	RMB3.5 cents
Diluted	6	RMB11.6 cents	RMB6.2 cents	RMB7.5 cents	RMB3.3 cents
Dividend	7	8,287	5,088	8,287	5,088

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2006 RMB'000 unaudited	As at 31 December 2005 RMB'000 audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	97,800	75,518
Land use rights		4,320	4,365
Prepayment for acquisition of land		7,030	7,030
Intangible assets		4,365	5,402
		113,515	92,315
Current assets			
Inventories		7,065	7,570
Trade and other receivables	9	26,232	23,478
Cash and cash equivalents		215,032	218,993
		248,329	250,041
Total assets		361,844	342,356
EQUITY			
Share capital and premium		179,713	179,713
Other reserves		32,124	29,972
Retained earnings			
– Proposed dividend		8,287	14,502
– Others		127,974	87,899
		348,098	312,086
Minority interests		–	3
Total equity		348,098	312,089
LIABILITIES			
Non-current liabilities			
Borrowings		–	6,656
Current liabilities			
Trade and other payables	10	3,551	4,291
Income tax liabilities		10,195	4,664
Borrowings		–	14,656
		13,746	23,611
Total liabilities		13,746	30,267
Total equity and liabilities		361,844	342,356
Net current assets		234,583	226,430
Total assets less current liabilities		348,098	318,745

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006 RMB'000 unaudited	2005 RMB'000 unaudited
Net cash inflow from operating activities	62,276	18,735
Net cash outflow from investing activities	(30,165)	(39,843)
Net cash (outflow)/inflow from financing activities	(36,061)	14,247
Net decrease in cash and cash equivalents	(3,950)	(6,861)
Cash and cash equivalents at the beginning of the period	218,993	70,474
Effect of foreign exchange rate changes	(11)	(3)
Cash and cash equivalents at the end of the period	215,032	63,610

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company							Total RMB'000 (unaudited)
	Share capital and premium RMB'000 (unaudited)	Capital reserves RMB'000 (unaudited)	Employee compensation reserves RMB'000 (unaudited)	Statutory reserves RMB'000 (unaudited)	Currency translation reserves RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Minority interest RMB'000 (unaudited)	
Balance at 1 January 2005,								
as restated	37,291	11,965	624	7,324	29	54,447	3	111,683
Profit for the period	-	-	-	-	-	20,480	-	20,480
Share option scheme								
- value of employee services	-	-	1,619	-	-	-	-	1,619
Payment of 2004								
final dividend	-	-	-	-	-	(10,176)	-	(10,176)
Exchange difference	-	-	-	-	(3)	-	-	(3)
Balance at 30 June 2005	37,291	11,965	2,243	7,324	26	64,751	3	123,603
Balance at 1 January 2006	179,713	11,965	2,733	15,237	37	102,401	3	312,089
Profit for the period	-	-	-	-	-	48,362	-	48,362
Share option scheme								
- value of employee services	-	-	2,163	-	-	-	-	2,163
Payment of 2005								
final dividend	-	-	-	-	-	(14,502)	-	(14,502)
Disposal of subsidiaries	-	-	-	-	-	-	(3)	(3)
Exchange difference	-	-	-	-	(11)	-	-	(11)
Balance at 30 June 2006	179,713	11,965	4,896	15,237	26	136,261	-	348,098

Notes:

1. General information

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.

The Group is principally engaged in the research and development (“R&D”), production and sale of organic fertilizers and bio-pesticides.

The Company has its primary listing on the GEM of the Stock Exchange since 17 February 2004 (the “Listing Date”).

2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirement of the GEM Listing Rules.

Principal accounting policies adopted by the Group in arriving at the financial information set out in this report are consistent with those adopted in preparing the 2005 annual accounts except the adoption of revised Hong Kong Financial Reporting Standards (“HKFRS”) which are effective for accounting periods commencing on or after 1 January 2006. The effect of the newly adopted standard of HKAS 21 Amendment “The Effects of Changes in Foreign Exchange Rates-Net Investment in a Foreign Operation” is insignificant to the Group’s results.

The condensed consolidated interim accounts are unaudited but have been reviewed by the audit committee of the Board (the “Audit Committee”).

The unaudited condensed consolidated interim accounts should be read in conjunction with the 2005 annual report.

3. Sales

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue recognized during the three months and six months ended 30 June 2006 with the comparative figures for the corresponding period of 2005 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2006 <i>RMB'000</i> (unaudited)	2005 <i>RMB'000</i> (unaudited)	2006 <i>RMB'000</i> (unaudited)	2005 <i>RMB'000</i> (unaudited)
Sales of				
– Microbial compound fertilizers	34,739	20,686	21,320	10,041
– Organic tea fertilizers	14,697	13,189	5,369	4,555
– Eucalypt tree organic fertilizers	41,069	5,606	24,028	5,606
– Premium organic fertilizers	18,644	8,752	12,898	6,363
– Organic compound fertilizers	17,772	11,667	13,952	7,684
	126,921	59,900	77,567	34,249
– Bio-pesticides	5,998	3,034	5,532	2,971
Total revenues	132,919	62,934	83,099	37,220

No business segment information was presented for the period ended 30 June 2006 and 2005 as the total revenue, segment results and segment assets of the bio-pesticides segment is less than 10 per cent of the Group's revenue, profit for the period and total assets. Accordingly, the bio-pesticides segment is not identified as a reportable segment in accordance with HKAS14.

No geographical segment information is presented as the Group's business is carried out in the PRC.

4. Operating Profit

Depreciation and amortisation expenses included in cost of sales and administrative expenses are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Amortisation expenses	1,157	908	578	445
Depreciation expenses	7,883	909	3,925	454

5. Taxation

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

	Six months ended 30 June		Three months ended 30 June	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Current income tax:				
Hong Kong profits tax	–	–	–	–
Mainland China enterprises income tax	5,816	3,068	3,614	1,422
	5,816	3,068	3,614	1,422

(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 period (2005: Nil).

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

The subsidiaries established in Mainland China are subject to Mainland China EIT at rates ranging from 27% to 33%. Green Land Bio-Products Co. Ltd. ("Green Land"), Century Sunshine (Nan Ping) Biology Engineering Co. Ltd. ("Nan Ping"), Century Sunshine (Jiangxi) Ecological Technology Limited ("Jiangxi") and Excellent Pesticide (Nanchang) Limited ("Nanchang") are wholly owned foreign enterprises engaged in the production and sale of organic fertilizers and bio-pesticides with operating periods of more than ten years, and in accordance with the relevant income tax regulations of Mainland China, are fully exempted from Mainland China EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in Mainland China EIT for the next three years. The first profitable year after offsetting prior year losses of Green Land, Nan Ping and Jiangxi were 31 December 2003, 31 December 2004, and 31 December 2005 respectively. Nanchang has retained loss prior to the year of 2006. 世紀陽光(福建)農業科技發展有限公司 and Century Sunshine (Zhangzhou) Ecological Technology Limited were loss making during the period.

(c) *Overseas income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, are exempted from the British Virgin Islands income tax.

6. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June		Three months ended 30 June	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Profit attributable to equity holders of the Company	48,362	20,480	31,324	11,107
Weighted average number of ordinary share in issue (thousand)	398,405	320,000	398,405	320,000
Basic earnings per share (RMB per share)	12.1 cents	6.4 cents	7.9 cents	3.5 cents

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

	Six months ended 30 June		Three months ended 30 June	
	2006 <i>RMB'000</i> (unaudited)	2005 <i>RMB'000</i> (unaudited)	2006 <i>RMB'000</i> (unaudited)	2005 <i>RMB'000</i> (unaudited)
Profit attributable to equity holders of the Company	48,362	20,480	31,324	11,107
Weighted average number of ordinary share in issue (<i>thousand</i>)	398,405	320,000	398,405	320,000
Adjustment for share options (<i>thousand</i>)	19,491	11,184	19,491	15,198
Weighted average number of ordinary share for diluted earnings per share (<i>thousand</i>)	417,896	331,184	417,896	335,198
Diluted earnings per share (<i>RMB per share</i>)	11.6 cents	6.2 cents	7.5 cents	3.3 cents

7. Dividend

At the meeting held on 15 March 2006, the Board proposed a payment of final dividend of HK\$0.035 per share for the year ended 31 December 2005, which was approved at the annual general meeting of the Company on 28 April 2006 and was subsequently paid on 18 May 2006 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2006.

At the meeting held on 14 August 2006, the Board recommends a payment of interim dividend of HK\$0.02 per share for the year ending 31 December 2006 (2005: HK\$0.015 per share) to the shareholders of the Company whose name appear in the register of members on 30 August 2006 and payable on or about 15 September 2006. This dividend is not reflected as a dividend payable in the unaudited condensed consolidated accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

8. Fixed assets

During the six-month period, the addition to property, plant and equipment was approximately RMB30,165,000. (2005: RMB41,843,000).

9. Trade and other receivables

	As at 30 June 2006 RMB'000 (unaudited)	As at 31 December 2005 RMB'000 (audited)
Trade receivables	16,253	20,591
Less: provision of impairment of receivable	–	–
Trade receivables-net	16,253	20,591
Prepayments and deposits	9,462	2,811
Other receivables	517	76
	26,232	23,478

The normal credit period granted by the Group ranges from 30 days to 90 days. There is no concentration of credit risk with respect to trade receivable, as the Group has a large number of customers. Aging analysis of the Group's trade receivables was as follows:

	As at 30 June 2006 RMB'000 (unaudited)	As at 31 December 2005 RMB'000 (audited)
0 to 30 days	15,463	15,464
31 days to 60 days	655	3,722
61 days to 90 days	135	941
Over 90 days	–	464
	16,253	20,591

10. Trade and other payables

	As at 30 June 2006 RMB'000 (unaudited)	As at 31 December 2005 RMB'000 (audited)
Trade payables	1,960	1,823
Accrued expenses and other payables	1,591	2,468
	3,551	4,291

The normal credit period granted to the Group by its suppliers ranges from 30-90 days. Ageing analysis of the Group's trade payables was as follows:

	As at 30 June 2006 RMB'000 (unaudited)	As at 31 December 2005 RMB'000 (audited)
0 to 30 days	1,410	978
31 days to 60 days	52	-
61 days to 90 days	72	1
Over 90 days	426	844
	1,960	1,823

11. Capital commitments

Capital expenditure as at 30 June 2006 but not yet incurred was as follows:

	As at 30 June 2006 RMB'000 (unaudited)	As at 31 December 2005 RMB'000 (audited)
Property, plant and equipment		
Contracted but not provided for	51,221	13,206

12. Contingent liabilities

As at 30 June 2006, the Group did not have any material contingent liabilities.

13. Subsequent events

There have been no material events which took place subsequent to 30 June 2006.

FINANCIAL AND BUSINESS REVIEW

Turnover of the Group for the six months ended 30 June 2006 amounted to RMB132,919,000, representing an increase of 111% from the same period in 2005. Total sales volume of organic fertilizers reached 75,000 tons, representing an increase of 97% from the same period last year. The increase in turnover was mainly attributable to strong market demand as well as the average selling price rise for two types of products by 12% and 15% respectively effective from May 2006. The increased sales volume was principally met by the Nanchang Plant which was put into operation in May 2005.

The demand for our five major organic fertilizer products continued to be very strong during the first half of the year. Each of microbial compound fertilizer, organic tea fertilizer, eucalypt tree organic fertilizer, premium organic fertilizer and organic compound fertilizer recorded an increase in turnover of 68%, 11%, 633%, 113% and 52% respectively. Our bio-pesticides business also had a strong performance during the period with a turnover amounting to RMB5,998,000, representing a significant increase of 98% over the same period last year.

Gross profit of the Group was about RMB65,825,000, representing an increase of 97%. Gross profit margin remained stable at 50% when compared to that of the first quarter of 2006. We expect the gross profit margin to remain relatively stable in the second half of 2006.

For the six-month period, total operating expenses amounted to RMB13,467,000, representing an increase of 37% from last year. Detailed analysis is as follows:

Selling and marketing costs

Selling and marketing costs decreased by 8% to RMB2,553,000 from the same period last year. Such decrease was mainly contributable to adjustments made in our advertising program. Some advertising activities were rescheduled to the second half of this year in order to maximize the effectiveness of the program.

Administrative expenses

Administrative expenses amounted to RMB10,914,000, representing an increase of 55% from the same period last year. The increase was primarily attributable to salary increase by new recruitment of administrative staff and increase in R&D expenses on new R&D projects for pesticide-fertilizer and organic fertilizer for wind-protection tree. The salary expenses and R&D costs accounted for 33% and 19% of the total administrative expenses.

The profit attributable to the equity holders of the Company for the six months ended 30 June 2006 amounted to RMB48,362,000, representing an increase of 136%. The net profit margin was improved by 2% to 36% from the first quarter of 2006. The Board would like to share the excellent results with the shareholders of the Company by declaring an interim dividend of HK\$0.02 per share.

Financial resources and liquidity

The Group's financial position had been strong throughout the period under review. As at 30 June 2006, shareholders' fund and net current assets were RMB348,098,000 and RMB234,583,000 respectively. The Group did not have any bank borrowings as at 30 June 2006 and its cash and bank balances was RMB215,032,000. The Group's current financial resources are sufficient to meet its business requirements including the capital expenditure for the construction of the Yunxiao Plant.

BUSINESS OUTLOOK

Production expansion

The construction of Yunxiao Plant is on schedule. The first phase of the plant is expected to be completed by the end of 2006 and commence production in early 2007. As the result, annual production capacity of the Group is expected to reach 355,000 tons in 2007 from the current 155,000 tons. The second phase of the plant with another 200,000 tons capacity is expected to be completed by the end of 2007 and commence production in early 2008. Upon completion, annual production capacity will reach 555,000 tons. We believe that the capacity expansion will enable us to remain as one of the largest organic fertilizer producers in China in the coming years.

R&D

We have been placing strong emphasis on developing new types of fertilizer products. We are currently developing two new products – organic fertilizer for wind-protection trees and pesticide-fertilizer. Organic fertilizer for wind-protection trees is a product specifically designed for the plantation of wind-protection trees in costal or desert areas. Pesticide-fertilizer is a product that combines the functions of both bio-pesticides and organic fertilizer. We expect these new products to be completed in 2007.

Government's favourable policies

Organic fertilizer has been listed as one of the key development products in the Central Government's "11th Five-Year Plan" commencing in 2006. The Central Government also pledged to spend RMB500 million in 2006 to subsidize the technical services programs to 100 million farmers on how to use fertilizer wisely. In March 2006, the Central Government launched a new round of "Rich Soil Project" in the next five years with objectives to improve the country's soil structure and fertility by promoting organic fertilizers. We believe that these new policies will help the Chinese farmers to gain more knowledge about organic farming and to better understand the importance of preservation of farm land structure and fertility. We therefore believe that demand for organic fertilizers will remain strong in the coming years.

SHARE OPTION SCHEME

On 31 January 2004, the Share Option Scheme (the "Scheme") was approved by a written resolution of the shareholders of the Company. 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 share options are exercisable only if the Directors or employees remain in service to the Group from the grant date of the share options up to the designated exercisable period.

As at 30 June 2006, options to subscribe for a total of 28,955,000 option shares were still outstanding under the Scheme, which represents approximately 7.3% of the issued ordinary shares of the Company.

Details of the share options outstanding as at 30 June 2006 are as follows:

(A) Share options granted on 11 October 2004

	Held at 1 January 2006	Options exercised during the period	Options lapsed/ cancelled during the period	Held at 30 June 2006	Exercise price HK\$	Exercisable in December 2007	Exercisable in January 2009
(A) Employee	300,000	-	-	300,000	0.63	300,000	-
	6,505,000	-	-	6,505,000	0.63	-	6,505,000
	1,250,000	-	-	1,250,000	0.63	-	1,250,000
(B) Director							
Zhou Xing Dun	1,400,000	-	-	1,400,000	0.63	-	1,400,000
	9,455,000	-	-	9,455,000		300,000	9,155,000

(B) Share options granted on 17 June 2005

	Held at 1 January 2006	Options exercised during the period	Options lapsed/ cancelled during the period	Held at 30 June 2006	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) Directors								
Wu Wen Jing, Benjamin	1,000,000	-	-	1,000,000	1.47	500,000	500,000	-
Cheung Sound Poon	500,000	-	-	500,000	1.47	150,000	150,000	200,000
Kwong Ping Man	500,000	-	-	500,000	1.47	150,000	150,000	200,000
	19,500,000	-	-	19,500,000		11,000,000	6,000,000	2,500,000

Note:

1. During the period under review, no options were granted or exercised.

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

As at 30 June 2006, 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:

1. Long positions in the shares of the Company

Name of Director	Number of ordinary shares held			Type of interest	Percentage of issued share capital of the Company
	Personal interests	Corporate interests	Total		
Chi Wen Fu	1,210,000	193,696,970 <i>(Note 1)</i>	194,906,970	Beneficial owner	48.92%
Zhou Xing Dun	1,400,000	–	1,400,000	Beneficial owner	0.35%
Wu Wen Jing, Benjamin	3,960,000	–	3,960,000	Beneficial owner	0.99%
Kwong Ping Man	235,000	–	235,000	Beneficial owner	0.06%
Cheung Sound Poon	60,000	–	60,000	Beneficial owner	0.02%

Notes:

- These shares are held by Alpha Sino International Limited ("Alpha Sino") which is 90% beneficially owned by Chi Wen Fu.

2. Directors' interests in associated corporations

Name of Director	Name of associated corporation	Number of shares held	Type of interest	Percentage of interest
Chi Wen Fu	Alpha Sino	9	Beneficial owner	90%
Shum Sai Chit	Alpha Sino	1	Beneficial owner	10%

Note:

1. The entire issued share capital of Alpha Sino is beneficially owned as to 90% and 10% by Chi Wen Fu and Shum Sai Chit respectively.

Save as disclosed above, as at 30 June 2006, 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

Save as disclosed above, at no time during the period under review 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.

INTERESTS AND SHORT POSITION OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2006, persons who had interests or short positions in the shares or underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Nature	Number of shares	Percentage of issued share capital of the Company
Chi Wen Fu	Long position	194,906,970 <i>(Note 1)</i>	48.92%
Alpha Sino	Long position	193,696,970 <i>(Note 2)</i>	48.62%

Notes:

- Chi Wen Fu has interest in an aggregate of 194,906,970 shares of the Company of which (a) 1,210,000 shares of the Company are beneficially owned by him and registered in his name; and (b) 193,696,970 shares of the Company are deemed corporate interests by virtue of his holding of 90% of the issued share capital of Alpha Sino which entitled him to exercise or control the exercise of one-third or more of the voting power at general meeting of Alpha Sino.
- The entire issued share capital of Alpha Sino is beneficially owned as to 90% and 10% by Chi Wen Fu and Shum Sai Chit respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period under review, none of the Directors nor the management shareholders of the Company nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

SPONSOR'S INTEREST

In accordance with the sponsor's agreement dated 4 February 2004 entered between the Company and CSC Asia Limited (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.

To the best knowledge of the Sponsor, none of the Sponsor, its directors, employee or associates (as defined in the GEM Listing Rules) had any interest in the shares of the Company or any right to subscribe for or to nominate persons to subscribe for any shares of the Company as at 30 June 2006.

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

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

BOARD PRACTICES AND PROCEDURES

The Company had fully complied with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules in respect of the Code on Corporate Governance Practices (the "CCGP") throughout the period under review except for the following deviation from the code provision of the CCGP:

Code A.2 Chairman and Chief Executive Officer

The Board is of the view that it is the best interests of the Group to adopt a single leadership structure, instead of dual leadership structure as Mr. Chi possesses extensive experience and knowledge in the field of agriculture especially the organic fertilizers and he is playing significant role in establishing the strategic decision and the overall management of the Group. The Board considers that there is no suitable professional or expertise in the market to fill the position of CEO at this stage.

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 six months ended 30 June 2006, the Audit Committee held two meetings for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board.

The Group's unaudited condensed consolidated accounts for the six months ended 30 June 2006 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such accounts was complied with the applicable accounting standards.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Monday, 28 August 2006 to Wednesday, 30 August 2006, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend of HK\$0.02 per share of the Company for the year ending 31 December 2006, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Registrar in Hong Kong, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 25 August 2006. Dividend warrants will be dispatched on or about 15 September 2006.

By order of the Board

Chi Wen Fu

Chairman

Hong Kong, 14 August 2006