



世紀陽光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

世紀陽光生態科技控股有限公司

Stock Code: 509

INTERIM REPORT

2008



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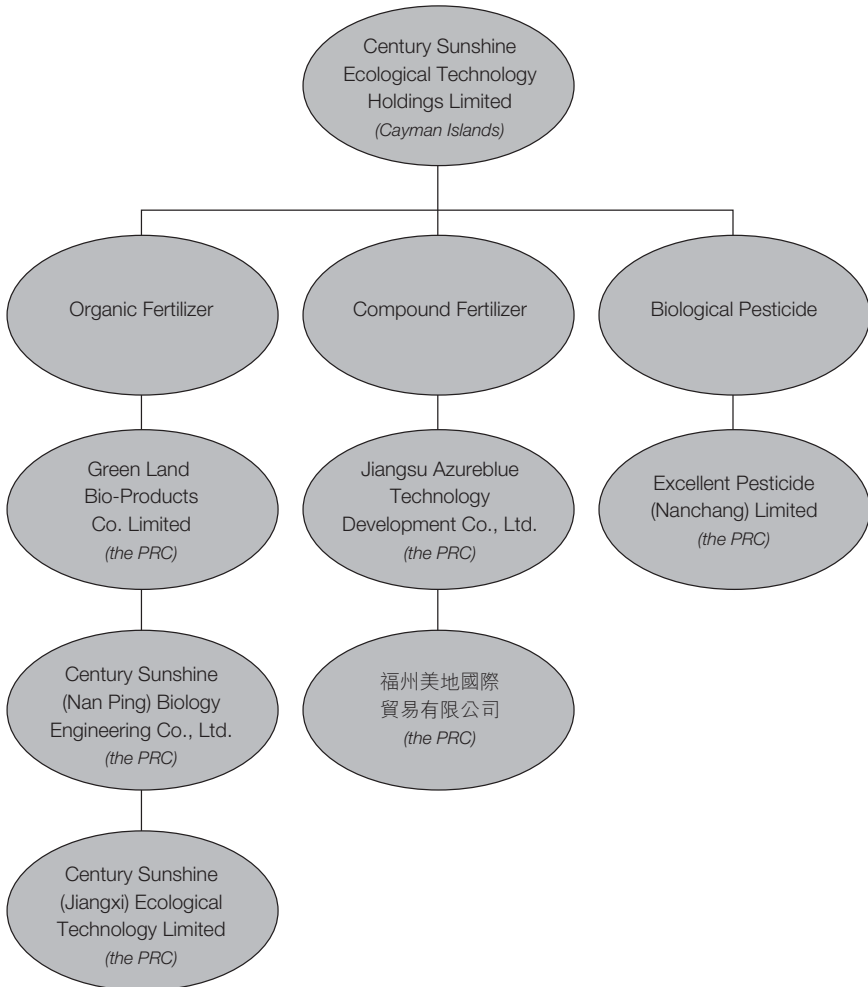
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HIGHLIGHTS

- Turnover for the six months ended 30 June 2008 amounted to RMB216,297,000, representing an increase of 52% over the corresponding period of 2007.
- The profit margin of all products continued to be hurt by the increase in cost of production leading the average gross margin dropped to 18%.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2008 decreased by approximately 89% to RMB5,684,000 as compared to the corresponding period of 2007.
- Total assets and net current assets of the Group reached about RMB1,106,399,000 and RMB832,470,000 respectively as at 30 June 2008.
- The Board does not recommend a payment of interim dividend for the six months ended 30 June 2008.

BUSINESS STRUCTURE

(As at 30 June 2008)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Wong May Yuk
Wu Wen Jing, Benjamin
Chi Bi Fen

Independent Non-Executive Directors

Shen Yi Min
Kwong Ping Man
Chu Wai Wa, Fangus (Appointed on 9 July 2008)

COMMITTEES

Audit Committee

Kwong Ping Man*
Shen Yi Min
Chu Wai Wa, Fangus (Appointed on 9 July 2008)

Remuneration Committee

Kwong Ping Man*
Shen Yi Min
Chu Wai Wa, Fangus (Appointed on 9 July 2008)
Shum Sai Chit
Wu Wen Jing, Benjamin

AUTHORISED REPRESENTATIVES

Chi Wen Fu
Shum Sai Chit

COMPLIANCE OFFICER

Shum Sai Chit

COMPANY SECRETARY

Tang Ying Kit

QUALIFIED ACCOUNTANT

Tang Ying Kit

* *Committee Chairman*

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman KY1-1111,
Cayman Islands

PRINCIPAL BANKERS**Hong Kong**

United Overseas Bank Limited
DBS Bank (Hong Kong) Limited
China Merchants Bank Hong Kong Branch

PRC

Agricultural Bank of China
China Merchants Bank
Bank of Communications

LEGAL ADVISERS

Sit, Fung, Kwong & Shum
(as to Hong Kong Law)

Conyers Dill & Pearman
(as to Cayman Islands Law)

Kang Da Law Office
(as to PRC Law)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3907, 39/F, COSCO Tower,
183 Queen's Road Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES**Principal**

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street,
Grand Cayman, Cayman Islands

Hong Kong

Tricor Investor Services Limited
26/F Tesbury Centre, 28 Queen's Road East,
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

STOCK CODE

509

BUSINESS WEBSITE

www.centurysunshine.com.hk

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The board of directors (the “Board” or “Director(s)”) of Century Sunshine Ecological Technology Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2008, together with the unaudited comparative figures for the corresponding period of 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2008 RMB'000 (unaudited)	2007 RMB'000 (unaudited)
Revenue	2	216,297	142,694
Cost of sales		(177,900)	(72,253)
Gross profit		38,397	70,441
Selling and marketing costs		(3,864)	(3,469)
Administrative expenses		(24,112)	(12,277)
Operating profit	3	10,421	54,695
Finance income		6,472	8,538
Finance costs		(4,133)	(1,918)
Profit before income tax		12,760	61,315
Income tax expense	4	(5,296)	(10,151)
Profit for the period		7,464	51,164
Attributable to:			
Equity holders of the Company		5,684	51,199
Minority interest		1,780	(35)
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– basic	5	0.26 cents	2.30 cents
– diluted	5	0.25 cents	2.22 cents
Dividend	6	–	9,075

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	180,059	162,235
Land use rights		20,450	20,587
Intangible assets		2,291	3,438
Goodwill		37	37
		<u>202,837</u>	<u>186,297</u>
Current assets			
Inventories		88,861	36,752
Trade and other receivables	8	75,881	77,291
Available-for-sale financial assets		128,092	–
Cash and cash equivalents		610,728	792,914
		<u>903,562</u>	<u>906,957</u>
Total assets		1,106,399	1,093,254
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		46,426	46,426
Share premium		557,020	557,020
Other reserves		51,942	51,572
Retained earnings			
– Proposed dividend		–	8,345
– Others		217,811	211,772
		<u>873,199</u>	<u>875,135</u>
Minority interest		50,842	49,062
Total equity		924,041	924,197
LIABILITIES			
Non-current liabilities			
Borrowings		111,266	110,678
Current liabilities			
Trade and other payables	9	63,935	51,154
Current income tax liabilities		7,157	7,225
		<u>71,092</u>	<u>58,379</u>
Total liabilities		182,358	169,057
Total equity and liabilities		1,106,399	1,093,254
Net current assets		832,470	848,578
Total assets less current liabilities		1,035,307	1,034,875

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	295	70,112
Net cash used in investing activities	(160,800)	(102,956)
Net cash used in/generated from financing activities	(11,535)	424,436
Net decrease/increase in cash and cash equivalents	(172,040)	391,592
Cash and cash equivalents at the beginning of the period	792,914	384,827
Exchange losses on cash and cash equivalents	(10,146)	(2,744)
Cash and cash equivalents at the end of the period	610,728	773,675

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								Total RMB'000 (unaudited)
	Share capital and premium	Capital redemption reserves	Capital reserves	Employee compensation reserves	Statutory reserves	Translation reserves	Retained earnings	Minority interest	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Balance at 1 January 2007	199,897	-	11,965	3,292	26,892	26	195,636	-	437,708
Issue of shares	446,740	-	-	-	-	-	-	-	446,740
Employee share option benefit	-	-	-	900	-	-	-	-	900
Capital injection from a minority shareholder	-	-	-	-	-	-	-	1,220	1,220
Profit for the period	-	-	-	-	-	-	51,199	(35)	51,164
Dividend payment	-	-	-	-	-	-	(22,281)	-	(22,281)
Balance at 30 June 2007	646,637	-	11,965	4,192	26,892	26	224,554	1,185	915,451
Balance at 1 January 2008	603,446	2,282	11,965	2,503	32,772	2,050	220,117	49,062	924,197
Employee share option benefit	-	-	-	372	-	-	-	-	372
Profit for the period	-	-	-	-	-	-	5,684	1,780	7,464
Dividend payment	-	-	-	-	-	-	(7,990)	-	(7,990)
Translation difference	-	-	-	-	-	(2)	-	-	(2)
Balance at 30 June 2008	603,446	2,282	11,965	2,875	32,772	2,048	217,811	50,842	924,041

1. Basis of preparation and accounting policies

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 are prepared to comply with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Principal accounting policies adopted by the Group in preparing these interim results are consistent with those adopted in the Company's annual audited financial statements for the year ended 31 December 2007 except the adoption of the following standards which have been effective for the accounting periods commencing on or after 1 January 2008. The adoption of such standards did not have material effect on the Group.

HK(IFRIC) – Int 11	HKFRS2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

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

2. Revenue

(a) Turnover

The Group is principally engaged in research and development, production and sale of organic fertilizers, compound fertilizers and biological pesticides:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of organic fertilizers	71,654	135,574
Sales of compound fertilizers	142,894	588
Sales of biological pesticides	1,749	6,532
	216,297	142,694

(b) Segment information

Primary reporting format – business segments

As at 30 June 2008, the Group has three main business segments:

- (1) Manufacturing and sales of organic fertilizers;
- (2) Manufacturing and sales of compound fertilizers; and
- (3) Manufacturing and sales of biological pesticides

The segment results for the period ended 30 June 2008 are as follows:

	Organic fertilizers RMB'000 (unaudited)	Compound fertilizers RMB'000 (unaudited)	Biological pesticides RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Group RMB'000 (unaudited)
Total segment revenue	72,146	158,185	1,749	-	232,080
Inter-segment revenue	(492)	(15,291)	-	-	(15,783)
Revenue	71,654	142,894	1,749	-	216,297
Segment results	20,738	5,022	(1,390)	(13,949)	10,421
Finance income					6,472
Finance costs					(4,133)
Profit before income tax					12,760
Income tax expense					(5,296)
Profit for the period					7,464

The segment results for the period ended 30 June 2007 are as follows:

	Organic fertilizers RMB'000 (unaudited)	Compound fertilizers RMB'000 (unaudited)	Biological pesticides RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Group RMB'000 (unaudited)
Total segment revenue	135,970	588	6,532	–	143,090
Inter-segment revenue	(396)	–	–	–	(396)
Revenue	<u>135,574</u>	<u>588</u>	<u>6,532</u>	<u>–</u>	<u>142,694</u>
Segment results	63,522	(90)	(1,879)	(6,858)	54,695
Finance income					8,538
Finance costs					<u>(1,918)</u>
Profit before income tax					61,315
Income tax expense					<u>(10,151)</u>
Profit for the period					<u>51,164</u>

Secondary reporting format – geographical segments

No geographical segment information is presented as all of the Group's business is carried out in Mainland China/Hong Kong.

3. Operating profit

Operating profit is arrived at after charging the followings:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	1,294	1,218
Depreciation of fixed assets	14,982	8,182

4. Income tax expense

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax:		
Hong Kong profits tax	-	-
Mainland China enterprises income tax	5,296	10,151
	5,296	10,151

(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 (2007: 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., Century Sunshine (Nan Ping) Biology Engineering Co. Ltd., Century Sunshine (Jiangxi) Ecological Technology Limited and 福州美地國際貿易有限公司 are foreign enterprises engaged in the production and sale of organic fertilizers and compound fertilizers 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 "Tax Concession"). 世紀陽光(福建)農業科技發展有限公司, Century Sunshine (Shanghai) Management Co., Limited, Excellent Pesticide (Nanchang) Limited and Century Sunshine (Zhangzhou) Ecological Technology Limited were loss making during the period.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the enterprise income tax rate applicable to the Group's subsidiaries located in Mainland China starting from 1 January 2008 will be 25%, replacing the currently applicable tax rate of 33%. Companies eligible for the Tax Concession but have not yet commence the relevant tax holiday will be deemed to commence the tax holiday starting in 2008.

(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. Century Sunshine (Australia) Limited was incorporated in Australia and was loss making during the period.

5. 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	
	2008	2007
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company (RMB'000)	5,684	51,199
Weighted average number of ordinary shares in issue (thousand)	2,219,420	2,223,821
Basic earnings per share (RMB per share)	0.26 cents	2.30 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	
	2008	2007
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company (RMB'000)	5,684	51,199
Weighted average number of ordinary share in issue (thousand)	2,219,420	2,223,821
Adjustment for share options (thousand)	30,846	79,745
Weighted average number of ordinary share for diluted earnings per share (thousand)	2,250,266	2,303,566
Diluted earnings per share (RMB per share)	0.25 cents	2.22 cents

6. Dividend

The Board does not recommend a payment of interim dividend for the six months ended 30 June 2008 (2007: HK\$0.004 per share).

7. Property, plant and equipment

During the six months period, the addition to property, plant and equipment including construction in progress was approximately RMB 32,602,000 (2007: RMB5,456,000).

8. Trade and other receivables

	As at 30 June 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Trade receivables	44,760	55,486
Prepayments and deposits	27,496	21,015
Other receivables	3,625	790
	75,881	77,291

The carrying amount of trade and other receivable approximate their fair value.

The normal credit period granted to customers by the Group ranges from 30 days to 120 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 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
0 to 30 days	19,786	44,015
31 days to 60 days	15,588	9,424
61 days to 90 days	6,542	1,869
Over 90 days	2,844	178
	44,760	55,486

9. Trade and other payables

	As at 30 June 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Trade payables	29,841	10,179
Accruals and other payables	34,094	40,975
	63,935	51,154

The carrying amounts of trade and other payables approximate their fair value.

The normal credit period granted to the Group by its suppliers ranges from 30 days to 120 days. Aging analysis of the Group's trade payables was as follows:

	As at 30 June 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
0 to 30 days	18,638	8,185
31 days to 60 days	3,308	1,748
61 days to 90 days	1,914	139
Over 90 days	5,981	107
	29,841	10,179

10. Capital commitments

Capital expenditure contracted but not yet incurred was as follows:

	As at 30 June 2008 RMB'000 (unaudited)	As at 31 December 2007 RMB'000 (audited)
Property, plant and equipment contracted but not provided for	10,948	6,108

11. Contingent liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities.

FINANCIAL AND BUSINESS REVIEW

For the six months ended 30 June 2008, the Group's turnover increased by 52% to RMB216,297,000, with the sales of organic fertilizers and compound fertilizers representing 33% and 66% of the total turnover respectively. The sales of organic fertilizers decreased by 47% as compared with the corresponding period of last year, which was mainly attributable to the decrease in production capacity of organic fertilizers caused by the degeneration of production bacteria arising in the third quarter of 2007. However, during the period under review, the market demand of organic fertilizers was higher than its supply even our production facility of organic fertilizers was operated at capacities of over 90%. The sales of compound fertilizers increased significantly to RMB142,894,000, which was mainly attributable to the acquisition of a compound fertilizer production facility in Jiangsu Province through our non-wholly-owned subsidiary by the Group in June 2007. The facility has commenced production in October 2007. The biological pesticides business of the Group ceased production and sales during the first quarter of 2008 since an extensive snowstorm hit several provinces of the country. However, its sales has come back in April and recorded RMB1,749,000, dropped 73% as compared with the corresponding period of last year.

The price of the raw materials continued to increase significantly in the first half of 2008, resulting in continuous decrease of the gross margin of our products particularly the compound fertilizers. Although the Group has increased the price of some of the products in the period, it could not completely solve the problem of gross margin decrease resulted from rising cost. Moreover, the gross profit margin of compound fertilizers was lower than that of organic fertilizers, thus directly creating negative impact on the average gross profit margin of the Group. During the period, the average gross profit margin of the Group was approximately 18%.

During the period under review, the total operating expenses amounted to RMB27,976,000, representing an increase of 78% as compared with the corresponding period of last year. It was mainly attributable to the significant increase in exchange loss of the administrative expenses.

Selling and marketing costs

The selling and marketing costs increased by 11% to RMB3,864,000, which was attributable to an increase in product transportation cost of the Group and the sales staff's salaries and commission fees due to the new business of compound fertilizers. During the period, the sales staff's salaries and commission fees and the transportation cost accounted for 45% and 29% of the selling and marketing costs respectively.

Administrative expenses

Administrative expenses amounted to RMB24,112,000, representing an increase of 96% as compared with the corresponding period of last year. During the period, the Group recorded a net exchange loss of RMB10,146,000 due to the continuous appreciation of Renminbi against the Group's assets denominated in foreign currencies. Without taking into account of this exchange loss, administrative expenses recorded an increase of 46% as compared with the corresponding period of last year, whereas such increase was due to the introduction of the new business of compound fertilizers and the depreciation expenses incurred for the Zhangzhou Plant.

Profit attributable to equity holders of the Company during the six months' period was RMB5,684,000, representing a decrease of 89% as compared with the corresponding period of last year. The net profit margin was approximately 3%.

BUSINESS OUTLOOK

Capacity expansion

Demand in organic fertilizer market was still higher than supply. While the Group was increasing the sales of compound fertilizers, it has planned to increase production capacity and sales of organic fertilizers, particularly the microbial compound fertilizers which involve more advance technology by adding new production facilities at our existing Jiangxi Plant and offset part of the impact from decrease in production capacity caused by the degeneration of production bacteria. The Directors expected that the new production facilities will commence operation in October of this year and will increase the sales of fertilizer products.

Business expansion

The trading of the shares of the Company has transferred from GEM Board to Main Board since 1 August 2008, which brought the Group to another milestone. While the Group is developing in the fertilizer market in China, we are actively considering to expand the business to other fields in order to increase the Group's earnings and create better returns for our shareholders. The Directors expected that the related business expansion plan could be implemented in the second half of the year. However, it is still in discussion and no plan is finalized at the moment. The Group will inform the shareholders and the investors of the latest development in due course.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with net current assets of approximately RMB 832,470,000 of which the cash and cash equivalents were approximately RMB 610,728,000.

As at 30 June 2008, the Group had a long term borrowings of RMB 111,266,000 and the Group gearing ratio as measured by the borrowings over total equity was 12%.

The existing financial resources of the Group are sufficient to meet its business requirements.

OTHER INFORMATION

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 share 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 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.

The Scheme was terminated upon the transfer of listing of the Company from GEM Board to Main Board on 1 August 2008 and the below-mentioned options granted before 1 August 2008 continue to be valid and exercisable in accordance with their terms of issue.

As at 30 June 2008, options to subscribe for a total of 58,275,000 shares were still outstanding under the Scheme, which represents approximately 2.6% of the issued ordinary shares of the Company.

Details of the share options outstanding as at 30 June 2008 are as follows:

(A) Share options granted on 11 October 2004

	Held at 1 January 2008	Options exercised during the period	Options lapsed/ cancelled during the period	Held at 30 June 2008	Exercise price HK\$	Exercisable in January 2009
(A) Employee	31,275,000	-	-	31,275,000	0.126	31,275,000
(B) Directors						
Zhou Xing Dun	7,000,000	-	-	7,000,000	0.126	7,000,000
Chi Bi Fen	7,500,000	-	-	7,500,000	0.126	7,500,000
	45,775,000	-	-	45,775,000		45,775,000

(B) Share options granted on 17 June 2005

	Held at 1 January 2008	Options exercised during the period	Options lapsed/ cancelled during the period	Held at 30 June 2008	Exercise price HK\$	Exercisable between July 2008 and March 2009
(A) Employee	11,500,000	-	-	11,500,000	0.294	11,500,000
(B) Directors						
Kwong Ping Man	1,000,000	-	-	1,000,000	0.294	1,000,000
	12,500,000	-	-	12,500,000		12,500,000

Note:

- (1) During the period under review, no options were granted.

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

As at 30 June 2008, 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 Securities and Futures Ordinance (the "SFO")), as recorded in the register to be kept by the Company under Section 352 of Part XV of the SFO were as follows:

(i) Directors' interests in the Company

Long positions in 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	6,050,000	918,484,850 (Note 1)	924,534,850	Beneficial owner	41.66%
Zhou Xing Dun	3,000,000	-	3,000,000	Beneficial owner	0.14%
Wu Wen Jing, Benjamin	3,525,000	-	3,525,000	Beneficial owner	0.16%

Note:

- These shares are held by Alpha Sino International Limited ("Alpha Sino") and are deemed corporate interests by virtue of Mr. Chi's 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.

(ii) 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%

Save as disclosed above, as at 30 June 2008, 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), as required to be recorded in the register to be kept by the Company under Section 352 of Part XV of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period 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 IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 30 June 2008, 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	924,534,850 (Note 1)	41.66%
Alpha Sino	Long position	918,484,850 (Note 2)	41.38%

Notes:

- Chi Wen Fu has interest in an aggregate of 924,534,850 shares of the Company of which (a) 6,050,000 shares of the Company are beneficially owned by him and registered in his name; and (b) 918,484,850 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.
- Pursuant to a share mortgage dated 13 November 2006, Alpha Sino, being the substantial shareholder of the Company, had mortgaged 244,578,000 shares in the Company (representing approximately 12% of the then issued share capital of the Company on 13 November 2006) to International Finance Corporation ("IFC") to secure repayment of the IFC Loan under a loan agreement dated 13 November 2006 entered into between the IFC as lender and (i) Green Land Bio-Products Company Limited; (ii) Century Sunshine (Nanping) Biology Engineering Company Limited; (iii) Century Sunshine (Jiangxi) Ecological Technology Limited; and (iv) Century Sunshine (Zhangzhou) Ecological Technology Limited, all being the subsidiaries of the Company.

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 Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

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

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

BOARD PRACTICES AND PROCEDURES

The Company had complied with the code provision set out in the Code on Corporate Governance Practices (the "Code Provision") contained in Appendix 14 of the Listing Rules throughout the period under review save as disclosed below:

Code Provision

Reasons for deviation

A.2.1 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 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 Provision

Reasons for deviation

A.3	Board composition - number of independent non-executive Directors below the minimum number required under Rule 3.10 (1) of the Listing Rules	The Company appointed an additional independent non-executive Director on 9 July 2008 and complied with such requirement.
B.1.1	A majority of the members of the remuneration committee of the Board (the "Remuneration Committee") should be independent non-executive Directors	The Company appointed an additional independent non-executive Director as a member of the Remuneration Committee on 9 July 2008 and complied with such requirement.
C.3	Audit Committee - members of the Audit Committee below the minimum number required under Rule 3.21 of the Listing Rules.	The Company appointed an additional independent non-executive Director as a member of the Audit Committee on 9 July 2008 and complied with such requirement.

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 Model Code of Appendix 10 to the 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.

HUMAN RESOURCES

As at 30 June 2008, the Group had around 600 employees. Salaries are determined by reference to prevailing market rates. Staff benefits include medical protection, pension, discretionary bonus and share options. The Directors considers that the Group maintains good relationship with its employee.

REMUNERATION COMMITTEE

The Remuneration Committee was established in December 2005. As at 30 June 2008, the Remuneration Committee has four members, namely Mr. Shen Yi Min, Mr. Kwong Ping Man, Mr. Shum Sai Chit and Mr. Wu Wen Jing, Benjamin. On 9 July 2008, Mr. Chu Wai Wa, Fangus was appointed as an independent non-executive Director and a member of the Remuneration Committee. Mr. Kwong Ping Man is the chairman of the Remuneration Committee.

The Remuneration Committee is to review and make recommendations to the Board on the remuneration packages of the Directors and senior management of the Group and to formulate transparent procedures for developing remuneration policies and packages for Directors and senior management of the Group.

AUDIT COMMITTEE

The Audit Committee was established in January 2004. As at 30 June 2008, the Audit Committee has two members, namely Mr. Shen Yi Min and Mr. Kwong Ping Man. On 9 July 2008, Mr. Chu Wai Wa, Fangus was appointed as an independent non-executive Director and a member of the Audit Committee. Mr. Kwong Ping Man is the chairman of the Audit Committee.

The Audit Committee is to review the Group's financial reporting, the effectiveness of both the internal and external audit and of internal controls and make recommendation to the Board. During the six months ended 30 June 2008, 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 interim financial statements for the six months ended 30 June 2008 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements was complied with the applicable accounting standards and adequate disclosures had been made.

By order of the Board

Chi Wen Fu

Chairman

Hong Kong, 5 September 2008