



世纪阳光

Century Sunshine Group Holdings Limited

世紀陽光集團控股有限公司

Stock Code : 509

2009 Interim Report



Highlights

- Turnover for the six months ended 30 June 2009 amounted to RMB208,046,000, representing a slightly decrease of approximately 4% over the corresponding period of 2008.
- Profit attributable to equity holders of the Company during this six months period jumped by 250% to RMB19,885,000.
- Basic earnings per share for profit attributable to equity holders of the Company during this six months period amounted to RMB0.88 cents, representing an increase of approximately 238%.
- Total assets and net current assets of the Group as at 30 June 2009 reached about RMB1,135,341,000 and RMB712,290,000 respectively in which the cash and cash equivalents represented 58% and 92% of the total assets and net current assets of the Group respectively.
- The Board does not recommend a payment of interim dividend for the six months ended 30 June 2009.

Corporate Information

BOARD OF DIRECTORS (AS AT 30 June 2009)

Executive Directors

Chi Wen Fu (*Chairman*)

Shum Sai Chit

Chi Bi Fen (*Redesignated on 1 June 2009*)

Tang Ying Kit (*Appointed on 15 May 2009*)

Non-Executive Director

Wong May Yuk

Independent Non-Executive Directors

Kwong Ping Man

Chu Wai Wa, Fangus

Liu Hoi Keung (*Appointed on 23 January 2009*)

COMPANY SECRETARY

Tang Ying Kit

COMMITTEES

Audit Committee

Kwong Ping Man (*Committee Chairman*)

Chu Wai Wa, Fangus

Liu Hoi Keung

Remuneration Committee

Kwong Ping Man (*Committee Chairman*)

Chu Wai Wa, Fangus

Liu Hoi Keung

Shum Sai Chit

ENQUIRIES CONTRACT

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Listing Information

Listing	Main Board of The Stock Exchange of Hong Kong Limited
STOCK CODE	509
SHARE REGISTRAR AND TRANSFER OFFICES	
Principal	Butterfield Fulcrum Group (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
REGISTERED OFFICE	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS	Unit 3907, 39/F, COSCO Tower 183 Queen's Road Central Hong Kong

Unaudited Condensed Consolidated Interim Financial Statements

The board of directors (the “Board” or “Director(s)”) of Century Sunshine Group 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 2009, together with the unaudited comparative figures for the corresponding period of 2008 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2009 RMB'000 (unaudited)	2008 RMB'000 (unaudited)
Revenue	2	208,046	216,297
Cost of sales		(175,040)	(177,900)
Gross profit		33,006	38,397
Other income and gains	3	9,842	6,472
Selling and marketing costs		(5,004)	(3,864)
Administrative expenses		(12,078)	(24,112)
Finance costs		(3,857)	(4,133)
Profit before income tax	4	21,909	12,760
Income tax expense	5	(5,053)	(5,296)
Profit for the period		16,856	7,464
Attributable to:			
Equity holders of the Company		19,885	5,684
Non-controlling interests		(3,029)	1,780
		16,856	7,464
Earnings per share (expressed in RMB per share)			
– basic	6	0.88 cents	0.26 cents
– diluted	6	0.88 cents	0.25 cents
Dividend	7	–	–

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	16,856	7,464
Other comprehensive income:		
Loss recognized directly in equity		
Exchange differences	(76)	(2)
Other comprehensive expenses for the period, net of tax	(76)	(2)
Total comprehensive income for the period	16,780	7,462
Total comprehensive income		
attributable to:		
Equity holders of the Company	19,809	5,682
Non-controlling interests	(3,029)	1,780
	16,780	7,462

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2009 RMB'000 (unaudited)	As at 31 December 2008 RMB'000 (audited)
	<i>Notes</i>		
Non-current assets			
Land use rights		40,238	40,671
Property, plant and equipment	8	178,470	154,212
Investment properties		75,365	77,407
Intangible assets		1,283	1,780
Deposit for acquisition of subsidiaries		48,400	48,400
Deposit for acquisition of plant and machinery		25,920	19,538
		369,676	342,008
Current assets			
Inventories		28,370	65,384
Land use rights		858	858
Trade and other receivables	9	61,540	63,357
Investments held for trading		19,646	63,601
Cash and cash equivalents		655,251	591,937
		765,665	785,137
Current liabilities			
Trade and other payables	10	46,330	53,742
Income tax payable		7,045	6,740
		53,375	60,482
Net current assets		712,290	724,655
Total assets less current liabilities		1,081,966	1,066,663
Non-current liabilities			
Borrowings		112,686	112,056
Deferred tax liability		3,318	3,318
		116,004	115,374
Net assets		965,962	951,289
Capital and reserves			
Share capital	11	47,018	46,426
Share premium		563,503	557,020
Other reserves		45,726	49,036
Retained earnings			
– Proposed dividend		–	5,948
– Others		253,337	233,452
Equity attributable to equity holders of the Company		909,584	891,882
Non-controlling interests		56,378	59,407
Total equity		965,962	951,289

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium	Capital redemption reserve	Capital reserve	Employee Statutory reserves	Employee compensation reserves	Translation reserve	Other reserve	Retained earnings	Equity attributable to equity holders of the Company	Non- controlling interests	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
As at 1 January 2008	603,446	2,282	11,965	32,772	2,503	2,050	-	220,117	875,135	49,062	924,197
Share option scheme											
- value of employee services	-	-	-	-	372	-	-	-	372	-	372
Exchange difference	-	-	-	-	-	(2)	-	-	(2)	-	(2)
Profit for the period	-	-	-	-	-	-	-	5,684	5,684	1,780	7,464
Dividend paid	-	-	-	-	-	-	-	(7,990)	(7,990)	-	(7,990)
As at 30 June 2008	603,446	2,282	11,965	32,772	2,875	2,048	-	217,811	873,199	50,842	924,041
As at 1 January 2009	603,446	2,282	11,965	32,772	3,234	2,168	(3,385)	239,400	891,882	59,407	951,289
Issue of shares	3,731	-	-	-	-	-	-	-	3,731	-	3,731
Share option scheme											
- value of employee services	-	-	-	-	110	-	-	-	110	-	110
Transfer upon exercise and lapse of share options	3,344	-	-	-	(3,344)	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	(76)	-	-	(76)	-	(76)
Profit for the period	-	-	-	-	-	-	-	19,885	19,885	(3,029)	16,856
Dividend paid	-	-	-	-	-	-	-	(5,948)	(5,948)	-	(5,948)
As at 30 June 2009	610,521	2,282	11,965	32,772	-	2,092	(3,385)	253,337	909,584	56,378	965,962

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	58,833	295
Net cash generated from (used in) investing activities	6,639	(160,800)
Net cash used in financing activities	(5,312)	(11,535)
Net increase (decrease) in cash and cash equivalents	60,160	(172,040)
Cash and cash equivalents at the beginning of the period	591,937	792,914
Effect of foreign exchange rate changes	3,154	(10,146)
Cash and cash equivalents at the end of the period	655,251	610,728

Notes to the Unaudited Condensed Consolidated Financial Statements

1. General, Basis of Preparation and Accounting Policies

Century Sunshine Group Holdings Limited is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company and its subsidiaries are principally engaged in the production and sales of agriculture-related products, raw materials and magnesium-related products.

The Group’s unaudited condensed consolidated financial statements are prepared in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries.

The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with the Hong Kong Accounting Standards 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Principal accounting policies adopted by the Group in preparing these results are consistent with those adopted in the annual audited financial statements for the year ended 31 December 2008.

The Group adopted the new and revised standards which have been effective for the accounting periods commencing on or after 1 January 2009. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the unaudited condensed consolidated financial statements and does not result in substantial changes to the Group’s accounting policies except certain changes on the presentation of the unaudited condensed consolidated financial statements.

HKAS 1 (Revised) “Presentation of Financial Statements”

HKAS 1 (Revised) requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (a statement of comprehensive income) or two statements (an income statement and a statement of comprehensive income). The Group has selected to present two statements: the consolidated income statement and the consolidated statement of comprehensive income.

HKFRS 8 “Operating Segments”

HKFRS 8 requires the segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board.

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

2. Revenue and Segment Information

(a) Turnover

The Group is principally engaged in the production and sales of agriculture-related products, raw materials and magnesium-related products. Turnover is as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of agriculture-related products	204,590	165,956
Sales of raw materials	3,456	50,341
Sales of magnesium-related products	–	–
	208,046	216,297

(b) Segment information

As at 30 June 2009, the Group’s reportable segments under HKFRS 8 are as follows:

- (1) Manufacturing and sales of agriculture-related products;
- (2) Manufacturing and sales of raw materials; and
- (3) Manufacturing and sales of magnesium-related products.

The segment results for the period ended 30 June 2009 are as follows:

	Agriculture- related products RMB'000 (unaudited)	Raw materials RMB'000 (unaudited)	Magnesium- related products RMB'000 (unaudited)	Group RMB'000 (unaudited)
Total segment revenue	215,611	3,456	–	219,067
Inter-segment revenue	(11,021)	–	–	(11,021)
Revenue	204,590	3,456	–	208,046
Segment results	24,486	(2,297)	–	22,189
Finance costs				(3,857)
Unallocated income				9,842
Unallocated expenses				(6,265)
Profit before income tax				21,909
Income tax expense				(5,053)
Profit for the period				16,856

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

	Agriculture- related products RMB'000 (unaudited)	Raw materials RMB'000 (unaudited)	Magnesium- related products RMB'000 (unaudited)	Group RMB'000 (unaudited)
Total segment revenue	181,739	50,341	–	232,080
Inter-segment revenue	(15,783)	–	–	(15,783)
Revenue	165,956	50,341	–	216,297
Segment results	22,425	1,945	–	24,370
Finance costs				(4,133)
Unallocated income				6,472
Unallocated expenses				(13,949)
Profit before income tax				12,760
Income tax expense				(5,296)
Profit for the period				7,464

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

3. Other Income and Gains

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Rental income	838	526
Interest income from bank deposits	4,600	5,115
Net gain on investments held for trading	3,794	–
Others	610	831
	9,842	6,472

4. Profit before Income Tax

Profit before income tax has been arrived at after charging:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets and land use rights	930	1,294
Depreciation of properties, plant and equipment and investment properties	15,919	14,982
Impairment of properties, plant and equipment	1,350	–
Allowance for inventories	2,008	–

5. Income Tax Expense

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax:		
– PRC Enterprises Income Tax	5,053	5,296

(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 (2008: Nil).

(b) *The PRC Enterprise Income Tax (The “PRC EIT”)*

The subsidiaries established in the PRC are subject to the PRC EIT at a rate of 25%. Century Sunshine (Jiangxi) Ecological Technology Limited (“Jiangxi”) is a wholly foreign owned enterprise engaged in the production and sales of agriculture-related products with operating periods of more than ten years, and in accordance with the relevant income tax regulations of the PRC, are fully exempted from the PRC EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in the PRC EIT for the next three years. The first profitable year after offsetting prior year tax losses of Jiangxi was 2005. 世紀陽光(福建)農業科技發展有限公司, 福州美地國際貿易有限公司, Jiangsu Azureblue Technology Development Company Limited, Century Sunshine (Zhangzhou) Ecological Technology Limited, Excellent Pesticide (Nanchang) Limited and Baishan City Tianan Magnesium Resources Company Limited were loss making during the period ended 30 June 2009.

(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 ended 30 June 2009.

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	
	2009	2008
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company (RMB'000)	19,885	5,684
Weighted average number of ordinary shares in issue (thousand)	2,250,281	2,219,420
Basic earnings per share (RMB per share)	0.88 cents	0.26 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	
	2009	2008
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company (RMB'000)	19,885	5,684
Weighted average number of ordinary share in issue (thousand)	2,250,281	2,219,420
Adjustment for share options (thousand)	5,542	30,846
Weighted average number of ordinary share for diluted earnings per share (thousand)	2,255,823	2,250,266
Diluted earnings per share (RMB per share)	0.88 cents	0.25 cents

7. Dividend

The Board does not recommend a payment of interim dividend for the six months ended 30 June 2009 (2008: Nil).

8. Property, Plant and Equipment

During the six months period, the addition to property, plant and equipment including construction in progress was approximately RMB39,134,000 (2008: RMB32,602,000).

9. Trade and Other Receivables

	As at 30 June 2009 RMB'000 (unaudited)	As at 31 December 2008 RMB'000 (audited)
Trade receivables	43,560	36,433
Prepayments and deposits	9,606	11,701
Other receivables	6,311	1,810
Deposits placed with financial institutions	2,063	13,413
	61,540	63,357

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

The Group allows a credit period normally up to 180 days (2008: up to 120 days) to its trade customers. There is no concentration of credit risk with respect to trade receivable, as the Group has a large number of customers.

As at 30 June 2009, ageing analysis of the Group's trade receivables was as follows:

	As at 30 June 2009 RMB'000 (unaudited)	As at 31 December 2008 RMB'000 (audited)
0 to 30 days	22,819	23,065
31 to 60 days	14,511	8,586
61 to 90 days	3,252	1,017
Over 90 days	2,978	3,765
	43,560	36,433

10. Trade and Other Payables

	As at 30 June 2009 RMB'000 (unaudited)	As at 31 December 2008 RMB'000 (audited)
Trade payables	19,928	17,296
Accruals and other payables	26,402	36,446
	46,330	53,742

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

At 30 June 2009, ageing analysis of the Group's trade payables was as follows:

	As at 30 June 2009 RMB'000 (unaudited)	As at 31 December 2008 RMB'000 (audited)
0 to 30 days	16,341	9,984
31 to 60 days	1,186	1,695
61 to 90 days	583	1,807
Over 90 days	1,818	3,810
	19,928	17,296

11. Share Capital

	Number of shares '000	Share capital '000
Authorised:		
As at 30 June 2009:		
Ordinary shares of HK\$0.02 each	5,000,000	HK\$100,000
Issued and fully paid:		
At 1 January 2009		
Employee share option scheme	2,219,420	RMB46,426
– proceed from shares issued	33,650	RMB 592
As at 30 June 2009	2,253,070	RMB47,018

12. Capital Commitments

	As at 30 June 2009 RMB'000 (unaudited)	As at 31 December 2008 RMB'000 (audited)
In respect of the acquisition of property, plant and equipment contracted but not provided	43,328	69,111

13. Contingent Liabilities

As at 30 June 2009, the Group did not have any material contingent liabilities.

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

For the six months ended 30 June 2009, total turnover of the Group was approximately RMB208,046,000, slightly decreased by 4% over the same period in 2008. This was mainly attributable to the adverse impact brought by the business of raw material: sulphuric acid. However, our main revenue stream, the sales of fertilizers, increased by 24% over the same period in 2008. Such achievement was mainly driven by an increase in sales of compound fertilizers and microbial compound fertilizers that evidenced the market share of the Group in PRC fertilizer market has been expanding. Both the sales of organic fertilizers and compound fertilizers recorded double-digit growth as compared with the corresponding period of 2008.

During the period under review, the increase in sales of organic fertilizers was mainly attributable to the capacity improvement of microbial compound fertilizers and shorter production cycle as the problem of bacteria degeneration had been resolved. Also, the gross profit margin of organic fertilizers has been improving due to the increase in its average selling prices of 12% and decrease in the production cost. For compound fertilizers, the Group proactively grasped the opportunities which came from the compound fertilizer market and introduced various new products for different customers to boom up its turnover. However, the average selling price of compound fertilizers during the period under review decreased significantly in the aftermath of the financial crisis. The impact of price-falling trend and high-cost inventories made the gross profit margin of compound fertilizers further declined. Despite this, the Group anticipated the production cost of compound fertilizers was getting stabilized after introduction of certain tight measures to control the level of inventory which has been reflected on the sharp decrease in the amount of inventory held at 30 June 2009.

The business of biological pesticides is indicated by the strategic development of the Group as a supplemental products and services to its customers. Currently, its sales only accounted for approximately 1% of total turnover and will not cast any material impact to the Group.

The sales of raw materials recorded a significant drop of 93% over the same period in 2008 and only accounted for about 2% of the total sales, as the selling price and the demand of sulphuric acid dropped significantly after the financial crisis and the Group aligned its selling strategies with the current market conditions. Being one of the largest manufacturers of sulphuric acid in Jiangsu Province, the Group believes that its leading position in the market will favor its sales performance once the market recovers.

For the first half of 2009, the other income and gains of the Group was RMB9,842,000, representing an increase of approximately 52% over the same period of 2008 which was mainly attributable to the fair value gain of investments. The total operating expenses of the Group during this six months period amounted to RMB17,082,000, which was down by 39%. Sales and marketing cost increased by 30% to RMB5,004,000 whereas administrative expenses decreased by 50% to RMB12,078,000.

Sales and marketing costs

Sales in fertilizers recorded a double-digit growth during this period which caused the transportation cost and the salaries and commission fees increase at the same time. During the period, the transportation cost increased by 24% and accounted for 34% of the sales and marketing costs. The salaries and commission fees increased by 48% and accounted for 51% of the sales and marketing costs.

Administrative expenses

During the first half of 2009, the Group recorded a net exchange gain of RMB3,154,000, compared with a net exchange loss of RMB10,146,000 last period. Such change was due to the appreciation of the foreign currencies and the fact that Reminbi maintained relatively stable during the period under review. Without taking into account of the exchange difference, administrative expenses recorded an increase of 9% to RMB15,232,000. Approximately 29% and 26% of the administrative expenses were derived from the depreciation and amortization expenses and the salary costs respectively. Meanwhile, additional administrative expenses from magnesium business were incurred as the magnesium plant is still under construction and operation has not yet been commenced during the period.

Profit attributable to equity holders of the Company for the first half of 2009 grew up sharply by approximately 250% to RMB19,885,000 when compared to the same period in 2008. The net profit margin of the Group for the period was about 10%.

BUSINESS OUTLOOK

Cost

In response to the financial crisis, the Group had imposed certain measures in the production process in order to strictly control the production cost. The Group anticipated that the production cost started to stabilize at its current level and it would create a favorable impact for the Group. Meanwhile, the Group will implement various effective measures to maintain steady growth of its agricultural business and mitigate the decline of profit margin of compound fertilizers. We are confident that the Group's operation is getting improvement and may have better performance in the second half of this year.

Business Expansion

In 2009, the Group continues to grasp every opportunity in the ever-changing market by deepening the objective of "Enhancing Strength, Enhancing Growth". In 2008, the Group planned to have business diversification. Although the Group is still optimistic toward the agricultural market, it is our long term goal to broaden our revenue streams and reduce the reliance on single business operation.

Magnesium

In 2008, the Group successfully completed the acquisition of an enterprise based in Baishan (a city in Jilin Province, the PRC) and this move marked its first step to launch into a new business: magnesium industry. Magnesium product is one of the lightest metallic materials and it is widely applied in aviation, automobile, computer and electronic products. It is generally recommended to be used and developed in Green Engineering in this century. Currently, the PRC has become the largest consumption, production and export country of magnesium in the world. According to the 11th Five Year Plan of the PRC, the development and industrialization of magnesium alloy falls within the "preferred development" category.

Such magnesium project is currently in the process of establishment with good progress. The construction work of plant facilities was basically completed and the production machineries are being installed. The Group will carry out trial run in the fourth quarter of this year and aim at a successful launch of magnesium business at the beginning of 2010.

Serpentine

The Group entered into a memorandum of understanding with an independent third party in December 2008 with the intention to acquire a certain serpentine mine resources in Jiangsu Province, the PRC. Serpentine is a substance composed of olivine of ultramafic and pyroxene where its ingredients mainly contain silicon and magnesium. Serpentine is a kind of supplemental material in the production of steel. Its application in steel smelting has huge demand in the PRC and will generate foreseeable revenue to the Group. The Group may also consider the possibility of using serpentine to produce magnesium alloy and fertilizer in order to further enhance the synergy effect of the Group. The acquisition is still in progress and is expected to conclude by not later than the end of December 2009.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2009, the net current assets of the Group were approximately RMB712,290,000, in which cash and cash equivalents was approximately RMB655,251,000.

The Group has been granted a long term loan of RMB120,000,000 by International Finance Corporation in November 2006. Such loan bears interest at 5.38% per annum and is due for repayment in one installment in November 2013.

As at 30 June 2009, the Group's gearing ratio as measured by the total borrowings over total equity was approximately 12%.

Management had carefully considered the liquidity of the Group and ensures that the Group has sufficient liquid resources to enable the Group to meet in full its business requirements and its financial obligations.

FOREIGN EXCHANGE RISK

The Group's assets, borrowings and major transactions are mainly denominated in Renminbi. The Group's exchange rate risk mainly arises from our assets denominated in foreign currency. There is no effective way in the market to hedge or reduce the exchange rate risk arising from the fluctuation of Renminbi. We seek to reduce the exchange rate risk by matching the sources of utilization of our funds. Meanwhile, the Group will look for other alternatives to effectively minimize the exchange rate risk.

Other Information

SHARE OPTION SCHEME

On 31 January 2004, a share option scheme (the “GEM Board’s Scheme”) was approved by a written resolution of the shareholders of the Company. The GEM Board’s Scheme was conditionally terminated by the Board on 27 June 2008 which became effective upon the transfer of listing of the Company from GEM Board to Main Board on 1 August 2008. No further options may be offered or granted under the GEM Board’s Scheme. The options granted under the GEM Board’s Scheme before 1 August 2008 continue to be valid and exercisable in accordance with their terms of issue.

During the period under review, options to subscribe for a total of 33,650,000 shares had been exercised in January 2009 and options to subscribe for a total of 24,625,000 shares were lapsed under the GEM Board’s Scheme. As at 30 June 2009, no options under the GEM Board’s Scheme were outstanding.

(A) *Share options granted on 11 October 2004 under the GEM Board’s Scheme*

	Held at 1 January 2009	Options exercised during the period	Options lapsed/ cancelled during the period	Held at 30 June 2009	Exercise price HK\$
(A) Employee	38,275,000	(26,150,000)	(12,125,000)	-	0.126
(B) Directors Chi Bi Fen	7,500,000	(7,500,000)	-	-	0.126
	45,775,000	(33,650,000)	(12,125,000)	-	

(B) Share options granted on 17 June 2005 under the GEM Board's Scheme

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

In order to attract and retain the best quality employees for the development of the Company's business and to provide additional incentives or rewards to selected qualifying participants, the Company adopted a new share option scheme on 3 December 2008 (the "Main Board's Scheme"). The qualifying participants mainly include employees of the Group, Directors and contractors, suppliers or service providers of the Group who have contribution to the Group. The Main Board's Scheme, unless otherwise cancelled or amended, will remain in force for 10 years. During the period under review, no options were offered or granted under the Main Board's Scheme.

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

As at 30 June 2009, 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:

Directors' interests in the Company

Long positions in shares of the Company

Name of Director	Number of shares of the Company held			Percentage of issued share capital of the Company
	Personal interests	Corporate interests	Total	
Chi Wen Fu	50,570,000	918,484,850 <i>(Note 1)</i>	969,054,850	43.01%
Chi Bi Fen	7,500,000	–	7,500,000	0.33%
Liu Hoi Keung	1,000,000	–	1,000,000	0.04%

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 83.74% 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.

Save as disclosed above, as at 30 June 2009, 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 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 2009, 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 share of the Company	Percentage of issued share capital of the Company
Chi Wen Fu	Long position	969,054,850 (Note 1)	43.01%
Alpha Sino	Long position	918,484,850 (Note 2)	40.77%

Notes:

1. Chi Wen Fu has interest in an aggregate of 969,054,850 shares of the Company of which (a) 50,570,000 shares of the Company are beneficially owned by him; and (b) 918,484,850 shares of the Company are deemed corporate interests by virtue of his holding of 83.74% 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.

2. Pursuant to a share mortgage dated 13 November 2006, Alpha Sino, being the substantial shareholder of the Company, had mortgaged 244,578,000 shares of 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, none of the Directors nor the management shareholders of the Company or 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

During the period ended 30 June 2009, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provision set out in the Code on Corporate Governance Practices (the “CCGP”) contained in Appendix 14 of the Listing Rules throughout the period under review, with deviation from code provision A.2.1 of the CCGP in respect of the separate roles of chairman and chief executive officer. The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board is of the view that it is the best way to adopt a single leadership structure for the interests of the Group as our Chairman, Mr. Chi Wen Fu, possesses extensive experience and knowledge in the PRC market 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 Chief executive officer at this stage.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct of the Company regarding Directors' securities transactions. The Company made specific enquiry to all Directors and all Directors have confirmed in writing that they have complied with the required standard set out in the code of conduct during the period under review.

HUMAN RESOURCES

As at 30 June 2009, the Group employed approximately 570 employees (2008: approximately 600 employees). The Group determined their salaries by reference to individual performance, working experience and prevailing market conditions. Staff benefits include medical protection, regular contribution provident fund, discretionary bonus and employee share option scheme. The Group has not experienced any labour disputes or significant changes in its headcount which may undermine its normal operation. The Directors consider that the Group enjoys a good relationship with its staff.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Remuneration Committee") was established in December 2005. As at 30 June 2009, the Remuneration Committee has four members, namely Mr. Kwong Ping Man, Mr. Chu Wai Wa, Fangus, Mr. Liu Hoi Keung and Mr. Shum Sai Chit. 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 2009, the Audit Committee has three members, namely Mr. Kwong Ping Man, Mr. Chu Wai Wa, Fangus and Mr. Liu Hoi Keung. 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 to make recommendations to the Board. During the six months ended 30 June 2009, the Audit Committee held three meetings for the purpose of reviewing the Company's reports and accounts, and providing advices and recommendations to the Board.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2009 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements were complied with the applicable accounting standards and adequate disclosures had been made.

By order of the Board

Shum Sai Chit

Executive Director

Hong Kong, 11 September 2009