世纪阳光

Century Sunshine Group Holdings Limited

世紀陽光集團控股有限公司

Stock Code: 509

CENTURY
SUNSHINE

Annual Report 2009

Contents

Corporate Information

The directors (the "Directors" and individually a "Director") of Century Sunshine Group Holdings Limited (the "Company") up to the date of this report are as follows:

BOARD OF DIRECTORS

Executive Directors	Chi Wen Fu *(Chairman)* Shum Sai Chit Chi Bi Fen Tang Ying Kit
Non-Executive Director	Wong May Yuk
Independent Non-Executive Directors	Kwong Ping Man Chu Wai Wa, Fangus Liu Hoi Keung

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 CONTACT

Ms. Anny Lee

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Fax:	2802 2697
E-mail:	cs@centurysunshine.com.hk
Company's website:	www.centurysunshine.com.hk

Information for Investors

LISTING INFORMATION

Listing	Main Board of The Stock Exchange of Hong Kong Limited
Stock code	509

KEY DATES

31 March 2010	Announcement of 2009 final results
11 May to 17 May 2010 (both days inclusive)	Closure of registrar of shareholders
17 May 2010	Annual general meeting
17 June 2010	Proposed payment of 2009 final dividend

SHARE INFORMATION

Company's shares of HK$0.02 each (the "Shares") in issue (31 December 2009)	2,253,070,000 Shares
Market capitalization (31 December 2009)	HK$664,655,650
Board lot size	5,000 Shares

EARNINGS PER SHARE FOR 2009

Basic	RMB1.72 cents
Diluted	RMB1.72 cents

DIVIDEND PER SHARE FOR 2009

Interim	NIL
Final (proposed)	HK0.45 cents

SHARE REGISTRAR & TRANSFER OFFICES

Principal:
Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
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 Floor 39 COSCO Tower
183 Queen's Road Central
Hong Kong

Chairman's Statement

On behalf of the board of Directors (the "Board") of the Company, I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 for shareholders' review and consideration.

RESULTS

Capital and commodity markets were apparently rebounding strongly in 2009 with full vitality and enormous development opportunities. The reality is that many industries were still facing tough business environment, and striving to survive the situation. The fertilizer market has not yet recovered and the price and demand of the market had been lingering at the low points. Some of the fertilizer manufacturers had to suspend production or operate at loss. Thanks to its loyal customer base, excellent product quality and brand strengths, the sales of fertilizer products was managed to maintain. Though the average selling price of organic fertilizers rose slightly, the average selling price of compound fertilizers dropped inevitably under the prevailing market adversity. To weather the depressing conditions, the Group has taken a proactive yet prudent business strategy by linking production with sales and reducing inventory stock of raw materials and finished goods, so as to avoid operating losses brought about by fluctuations in market prices. Such strategy played a prominent part in prudently creating a stable growth in 2009 and made the agriculture-related products business to remain as the Group's main source of income.

In 2009, the total turnover of the Group amounted to RMB385,309,000, representing a slight decrease of less than 1% over 2008. The sales of the Group's agriculture-related products increased by 15% over the previous year to RMB373,877,000 while the sale of the raw materials business decreased by 81% to RMB11,432,000. Profit attributable to owners of the Company amounted to RMB38,356,000, representing a significant increase of 41% over 2008. The increase was primarily driven by the soar in organic fertilizer margins and the surge in exchange rate gains. After considerating that there is no significant signs of improvement in the business environment and it still takes time for the market to fully recover, the Board recommended the payment of a final dividend of HK0.45 cents per Share, representing approximately 23% of the basic earnings per Share for the year.

MAGNESIUM

Construction of the Group's production plant in Jilin Province, the People's Republic of China (the "PRC") was completed in the fourth quarter of 2009. The plant has an annual production capacity of 10,000 tonnes of magnesium ingots and magnesium alloy products, and involves a total investment of about RMB120 million. The construction project as well as the inspection of completed environmental protection facilities were basically completed in the first quarter of 2010. Trial production is scheduled to be conducted in the second quarter of 2010. Magnesium business is expected to be put into complete commission by 2010, and to bring contribution to the Group's turnover. The Group believes that the factory, configured advanced production equipment and technology, has ranked itself at a leading position in the industry. Magnesium and magnesium alloy products have been widely used in a diverse variety of aspects including aerospace, automotive and electronic products, and are known as the green engineering materials of the most massive development potentials in this century. They are blessed with very promising market prospects. At present, the PRC has become the world's largest producer and exporter of magnesium. According to China's 11th Five-Year Plan, the development and industrialization of magnesium alloy products fall within the "preferred development" category. Invigorated by support from the national policies and rapid growth in market demand, magnesium and magnesium alloy products are set to become a sustainable industry.

In line with the magnesium business, the Group acquired an exploration right of a dolomite mine in Jilin province, the PRC with a site area of 4.65 km^2 at the cash consideration of RMB25.9 million in December 2009. The mine under the exploration right contains a kind of minerals namely dolomite, which is a main raw material for production of magnesium ingots. The mining site was in proximity to the production plant of the Group (around 10 km). The Group believes that the acquisition will secure the supply of dolomite required for the production of magnesium ingots by the Group, and reduce the cost of transportation of pro current of such raw materials from external sources.

SERPENTINE

The acquisition project of serpentine is one of the Group's top priorities this year. The Group signed a memorandum of understanding with an independent third party in December 2008, pursuant to which, it intended to acquire serpentine mineral resources located in Jiangsu Province, the PRC. Such mineral asset has serpentine mineral resources reserves of not less than 60 million tonnes, and is a domestic large-scale mine. To protect the interests of shareholders, the Group has retained various professional institutions to conduct due diligence. As the due diligence is still underway, the Group signed a supplemental agreement with the vendor in December 2009 to defer the long stop date of the acquisition to 30 September 2010. The Group will make efforts to complete the acquisition as soon as possible, so as to generate contributions to the Group. The Group believes as serpentine is major auxiliary materials in iron and steel manufacturing process, and given that manufacturers have more understanding and acceptance about serpentine as a secondary raw material for steel making and smelting, the future serpentine business will benefit from the continuous development of China's steel industry. On the other hand, serpentine contains silicon and magnesium as its main components. It can be used as indispensable auxiliary raw materials for metallurgical flux and iron and steel smelting and making, and can be used as raw materials for extraction of magnesium ingots and production of fertilizers. Therefore, this acquisition will help diversify the Group's business in a more healthy and robust way, thereby expanding the Group's sources of income.

YUNXIAO PROPERTY

The first and second phases of construction of the Group's Yunxiao property located at Zhangzhou, Fujian Province, the PRC had been completed in 2007 and substantially completed in 2009 respectively. The total investment was approximately RMB113 million. The Group had leased the first phase of the Yunxiao property in the form of short term leases to local enterprises as workshop, while we would offer the second phase for lease at optimal time once we have completed the inspection and acceptance process, with a view to generating revenue to the Group.

Looking forward to 2010, I will continue to attain and achieve the Group's goal of business diversification through incessant efforts and unwavering dedication. By widening economic income management, laying a solid foundation, building a professional management team and improving management standards, all of us will spare no endeavors to contribute to the Group's burgeoning development.

Lastly, I wish to thank our shareholders for your kind support and all our staffs for your dedication over the past year. With challenges and opportunities ahead, I will work together with my colleagues and try to bring better returns to the shareholders in the coming year.

Chi Wen Fu
Chairman

Hong Kong, 31 March 2010

FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Revenue	**385,309**	386,782	322,102	312,695	191,003
Cost of sales	**(314,263)**	(327,525)	(201,298)	(152,410)	(93,412)
Gross profit	**71,046**	59,257	120,804	160,285	97,591
Other income and gains	**23,377**	34,723	17,828	12,258	528
Selling and marketing costs	**(10,722)**	(7,770)	(10,760)	(10,667)	(6,690)
Administrative expenses	**(33,694)**	(45,556)	(42,813)	(23,599)	(14,029)
Finance costs	**(7,917)**	(8,260)	(6,348)	(767)	(1,028)
Profit before income tax	**42,090**	32,394	78,711	137,510	76,372
Income tax expense	**(8,645)**	(10,047)	(15,916)	(9,802)	(4,997)
Profit for the year	**33,445**	22,347	62,795	127,708	71,375
Profit for the year attributable to:					
Owners of the Company	**38,356**	27,273	63,953	127,708	71,375
Minority interests	**(4,911)**	(4,926)	(1,158)	–	–
Total assets	**1,199,848**	1,127,145	1,093,254	566,113	342,356
Total liabilities	**(208,608)**	(175,856)	(169,057)	(128,405)	(30,267)
Total equity	**991,240**	951,289	924,197	437,708	312,089

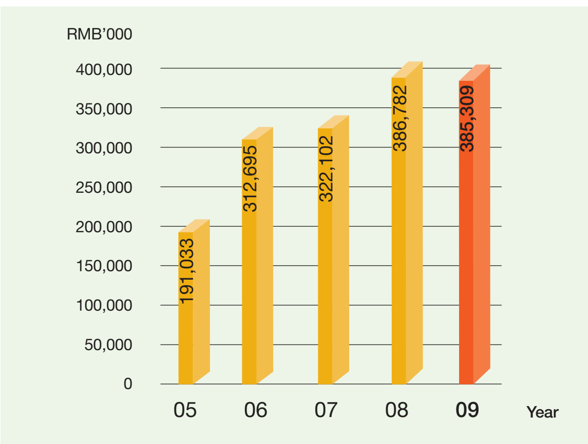
FINANCIAL RATIO AS AT 31 DECEMBER

	2009	2008	2007	2006	2005
Return on equity[1]	**3.9%**	2.9%	6.9%	29%	23%
Return on total assets[2]	**3.2%**	2.4%	5.8%	23%	21%
Gearing[3]	**11%**	12%	12%	25%	7%
Interest cover[4]	**6x**	5x	13x	101x	64x
Liquidity[5]	**9x**	13x	16x	23x	11x

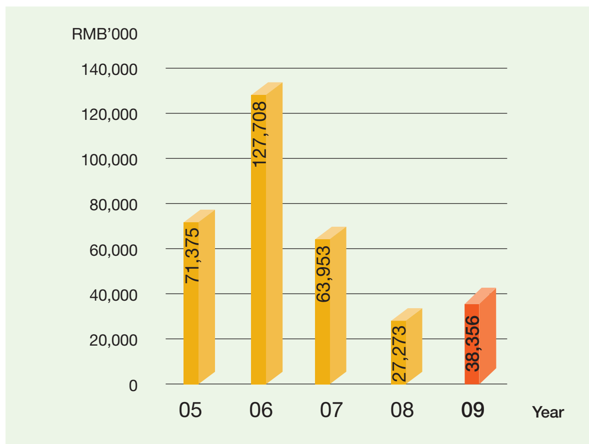
Notes:

1. Profit attributable to owners of the Company/Total equity
2. Profit attributable to owners of the Company/Total assets
3. Total borrowings/Total equity
4. Profit before tax and interest expense/Interest expense
5. Current assets/Current liabilities

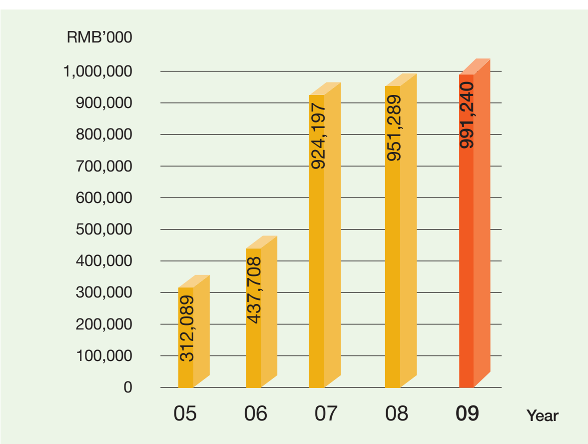
Turnover



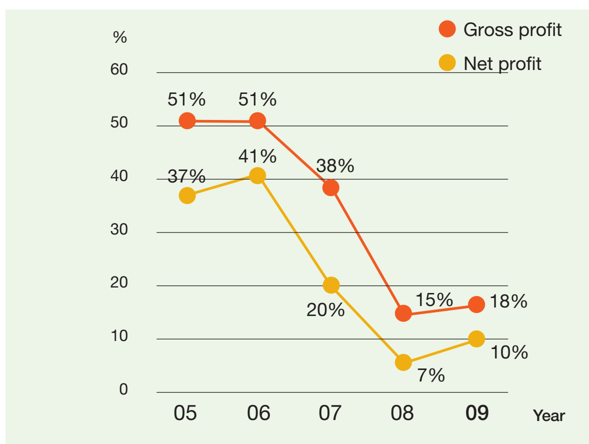
Profit attributable to Owners



Shareholders' Equity



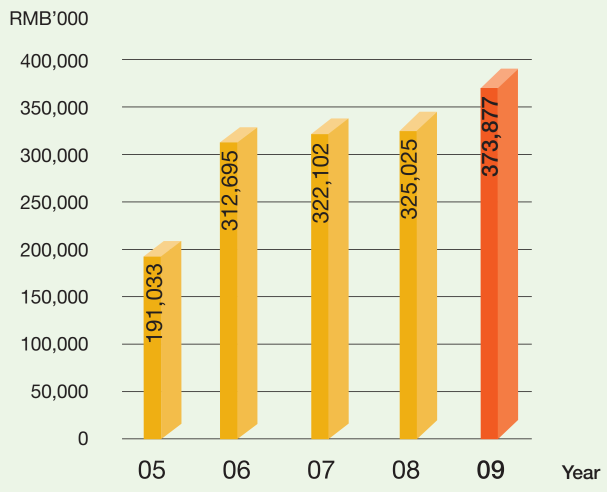
Margins



TURNOVER

Under the influence of the global financial crisis, the PRC government has put into place a series of economic stimulus package in 2009 in order to boom the domestic demand and stabilize the domestic economy and the country's livelihood. Notwithstanding this, domestic enterprises continued to face a lot of difficulties in business operation. Slack market demand, shrinking prices and fluctuations in raw material prices have placed many enterprises in peril, with operating losses. The Group timely took effective measures in 2009 and all these measures have boosted customers' loyalty in the Group's products, while strengthening the control over inventory levels and costs. Thanks to these initiatives, the Group maintained a growth in the business and improved the overall profitability.

Turnover of Agriculture-Related Products



In 2009, the Group's turnover from agriculture-related products business grew by 15% over 2008 to RMB373,877,000, representing 97% of the total turnover. The sales of biological pesticides accounted for less than 1% of the sales of the agriculture-related products business. The sales of agriculture-related products were mainly generated from the fertilizer category. The Group produced two major categories of fertilizers. Organic fertilizers and compound fertilizers, accounted for 45.6% and 54.2% of the sales of the agriculture-related products respectively. This year, the increase in the average selling price of organic fertilizers by 5% was due to the significant surge in the sales of microbial compound fertilizer products, while the decrease in the average selling price of compound fertilizers by 32% was mainly due to the fact that the market selling prices have been hovering at the bottom under a depressing compound fertilizer market in 2009. As a result, the average selling price of the fertilizers of the Group dropped by 14% to approximately RMB1,900 per tonne.

The Group only recorded raw material sales of RMB11,432,000 in 2009, representing a sharp decrease of 81% over 2008, and merely making up of 3% of the total turnover. During the year, the raw materials business was mainly the sales of sulphuric acid. Its average selling price in 2009 was RMB250 per tonne, representing a substantial fall of 76% over 2008. Since the rampage of the global financial crisis at the end of 2008, the domestic sulphuric acid market has shown no signs of improvement. The demand remained sluggish. The lowest selling price in 2009 was 94% lower than the selling price at its peak in 2008. Under a situation where there was no drastic reduction in production costs, most producers faced challenging operations and experienced operating losses or production suspension. Despite of a slight improvement in market demand for sulphuric acid in the fourth quarter of 2009, the selling price was only marginally improved. It is expected that the Group's sulphuric acid business will only improve along with the gradual revival of the market.

The construction of the Group's magnesium plant in Jilin Province, the PRC has been substantially completed. Trial production is scheduled to be conducted in the second quarter of 2010. Magnesium business is expected to be put into complete commission, and to bring contribution to the Group's turnover in 2010. Accordingly, the magnesium business has not yet contributed any earnings to the Group in 2009. Nevertheless, given a rising market demand for magnesium ingots and magnesium alloy products and a supportive backup from the national policies, the Group believes and is confident that the magnesium business is set to develop in a bright prospect.

GROSS PROFIT

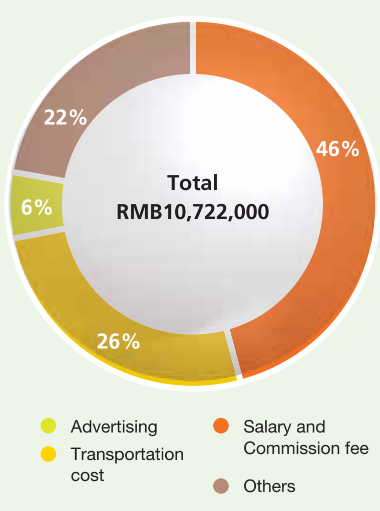
In general, the consolidated gross profit of the Group in 2009 amounted to RMB71,046,000, representing an increase of 20% over 2008. The consolidated gross profit margin rebounded to 18% from 15% last year due to the soar in organic fertilizer margins and the decrease in overall production costs.

EXPENSES

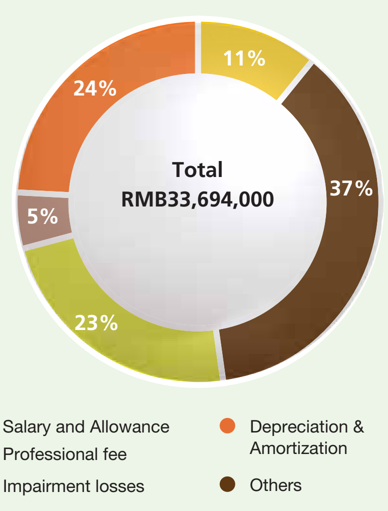
During the year, a double-digit growth was recorded for the agriculture-related products business of the Group. Transportation cost, salary and commission increased accordingly, attributing to an increase in selling and marketing costs by 38% to RMB10,722,000 in 2009 over 2008. Advertisement, salary and commission fee and transportation cost accounted for 6%, 46% and 26% of the selling and marketing costs respectively.

The administrative expenses were approximately RMB33,694,000 in 2009, representing a sharp decrease of 26% over 2008. During the year, the Group did not incur any net exchange losses while a net exchange losses of RMB17,087,000 of the Group was recorded in 2008. If excluding the influence of such exchange difference, the administrative expenses increased by 18%. Salary and allowance, professional fees, impairment losses and depreciation and amortization accounted for 23%, 5%, 11% and 24% of the administrative expenses respectively.

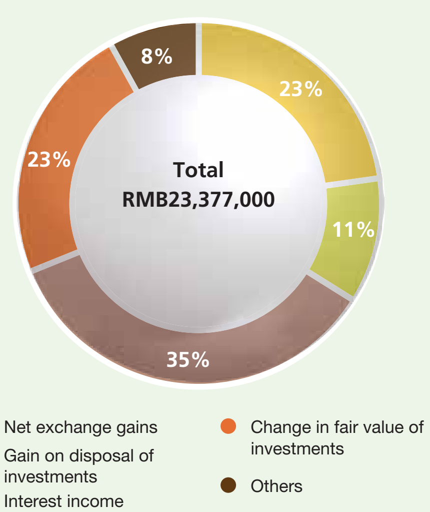
Selling & Marketing Costs



Administrative Expenses



Other Income & Gains



OTHER INCOME AND GAINS

The other income and gains of the Group in 2009 was RMB23,377,000 which mainly included gains on disposal of investments of RMB2,600,000, net exchange gains of RMB5,310,000 and change in fair value of investments of RMB5,399,000.

MARGIN

Profits attributable to the owners of the Company surged by 41% to RMB38,356,000 compared with 2008. Net profit margin increased to 10% from 7% in 2008.

LIQUIDITY, GEARING AND SOURCE OF FINANCE

In 2009, the Group's liquidity was mainly derived from cash flows of operations. As at 31 December 2009, cash and bank balance of the Group amounted to approximately RMB647,155,000 (2008: RMB591,937,000).

As at 31 December 2009, the Group had long term borrowings of RMB113,517,000 (2008: RMB112,056,000) and the net current assets were approximately RMB692,704,000 (2008: RMB724,802,000). The Group's gearing ratio as measured by borrowings over net asset value was 11% in 2009 (2008: 12%).

The existing cash resources with steady cash flows generated from operations are sufficient for the Group to meet its business requirements.

EXCHANGE RATE RISK MANAGEMENT

The Group's exposure to exchange rate risk was mainly derived from the assets denominated in foreign currencies. 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. In 2009, the Group continued to increase its capital investments in the PRC. Should Renminbi continue to appreciate, the Group will continue to expose to exchange rate risk. The Group will look for other alternatives to effectively minimize the exchange rate risk.

CREDIT RISK MANAGEMENT

The Group has always been aware of the credit risk exposure of our customers. The Group strictly followed the "client account management procedures". The procedures required and ensured all client accounts were maintained and kept track of periodically according to the previous transaction records and credit history of each customer. The Group specified and assigned to each customer a series of credit measures such as credit ratio, credit period, credit rating, credit terms, and guarantee. The client account management procedures were effective to control the credit risk of the Group. As at 31 December 2009, no bad debt of the Group was recorded.

PLEDGE OF ASSETS

As at 31 December 2009, the Group did not have any charges or pledges on its assets.

CAPITAL COMMITMENTS

As at 31 December 2009, the Group did not have any material capital commitments apart from those disclosed in note 34 to the financial statements.

SIGNIFICANT INVESTMENTS

A non-wholly owned subsidiary of the Company, Baishan City Tianan Magnesium Resources Company Limited entered into an agreement on 18 December 2009 whereby Baishan City Tianan Magnesium Resources Company Limited agreed to acquire the exploration right of a dolomite mine in Jilin province, the PRC at the cash consolidation of RMB25.9 million. Details of which was disclosed in the Company's announcement dated 24 December 2009.

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

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities.

CAPITAL STRUCTURE

As at 31 December 2009, the issued share capital of the Company were HK$45,061,400, divided into 2,253,070,000 Shares of HK$0.02 each.

HUMAN RESOURCES

As at 31 December 2009, the Group employed approximately 630 employees (2008: approximately 600). The Group determined their salaries with reference to their 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 business operation. The Directors consider that the Group enjoys a good relationship with its staff.

The Directors present their report together with the audited financial statements for the year ended 31 December 2009, which are set out on pages 30 to 92.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are production and sale of agriculture-related products, raw materials and magnesium-related products. Particulars of the Company's subsidiaries are shown under note 21 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business segment is set out in note 8 to the financial statements. The Directors consider that the Group's operations are principally carried out in the PRC. Accordingly, no geographical segment results are presented.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 30 of the annual report.

The Board recommends the payment of a final dividend for 2009 of HK0.45 cents per Share (2008: HK0.3 cents). Subject to the approval of the 2009 final dividend by the shareholders at the annual general meeting to be held on 17 May 2010, it is expected that those dividend will be paid on 17 June 2010 to the shareholders registered on 17 May 2010. The share registrar will be closed from 11 May 2010 to 17 May 2010, both days inclusive.

FIVE YEARS FINANCIAL SUMMARY

A financial summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 30 to the financial statements.

RESERVES

Details of the movement in reserves of the Group and of the Company during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2009 amounted to RMB625,639,000 (2008: RMB624,715,000).

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2009, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Chi Wen Fu *(Chairman)*	
Shum Sai Chit	
Zhou Xing Dun	(Retired on 15 May 2009)
Chi Bi Fen	(Redesignated on 1 June 2009)
Tang Ying Kit	(Appointed on 15 May 2009)

Non-Executive Director

Wong May Yuk	
Wu Wen Jing, Benjamin	(Resigned on 1 January 2009)

Independent Non-Executive Directors

Kwong Ping Man	
Chu Wai Wa, Fangus	
Liu Hoi Keung	(Appointed on 23 January 2009)

In accordance with Article 87 of the Company's articles of association, Mr. Chi Wen Fu, Mr. Shum Sai Chit and Ms. Wong May Yuk will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or the management shareholders of the Company or their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) had any interest in a business that competed or might compete with the business of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 26 and 27 of the annual report.

SHARE OPTION SCHEME

On 31 January 2004, a share option scheme (the "GEM Board's Scheme") was approved by a written resolution of the shareholder 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 year, 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 31 December 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 year	Options lapsed during the year	Held at 31 December 2009	Exercise price HK$
(A)	**Employees**	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 year	Options lapsed during the year	Held at 31 December 2009	Exercise price HK$
(A)	**Employees**	7,500,000	–	(7,500,000)	–	0.294
(B)	**Directors**					
	Tang Ying Kit	4,000,000	–	(4,000,000)	–	0.294
	Kwong Ping Man	1,000,000	–	(1,000,000)	–	0.294
		12,500,000	–	(12,500,000)	–	

In order to attract and retain the best quality employees for the development of the Company's businesses and to provide additional incentives or rewards to selected qualifying participants, 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.

The subscription price is not less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of a Share of HK$0.02. The maximum number of Shares in respect of which options may be granted under the Main Board's Scheme shall not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. Upon acceptance of the offer for the grant of option, an amount of HK$1.00 is payable by the grantee to the Company.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under the Main Board's Scheme does not in aggregate exceed 10% of the shares in issue on the date of approval of the Main Board's Scheme. The Company may refresh this 10% limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Main Board's Scheme and any other share option schemes does not exceed 30% of the Shares in issue from time to time.

During the year, 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 31 December 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:

(i) Directors' interests in the Company

Long positions in Shares

	Number of Shares held			Percentage of
Name of Director	Personal interests	Corporate interests	Total	issued share capital of the Company
Chi Wen Fu	50,570,000	918,484,850 (Note 1)	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:

1. 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 31 December 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 SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS AND SHORT POSITIONS 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 31 December 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 Shares	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 which (a) 50,570,000 Shares are beneficially owned by him and registered in his name; and (b) 918,484,850 Shares 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 (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.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases	
– the largest supplier	14%
– five largest suppliers combined	38%
Sales	
– the largest customer	7%
– five largest customers combined	19%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

As disclosed in the announcement of the Company of 30 July 2009, Capital Idea Investments Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Lin on 30 July 2009, pursuant to which Capital Idea Investments Limited acquired 4.5% of the issued share capital of Fullocean Group Limited, a non-wholly subsidiary of the Company at the cash consideration of HK$1,511,100. Ms. Lin was a substantial shareholder of Fullocean Group Limited on 30 July 2009 and she was regarded as a connected person of the Company (as defined in the Listing Rules). Therefore, the aforesaid transaction constituted a connected transaction of the Company which was exempt from the independent shareholders' approval requirement and was only subject to the reporting and announcement requirements under the Listing Rules. This connected transaction was completed in August 2009.

As disclosed in the announcement of the Company of 3 September 2009, Fullocean Group Limited acquired 7% of the issued share capital of China Magnesium Limited, a non-wholly owned subsidiary of the Company under a pre-emptive offer from Mr. Cheng and Mr. Yin on 3 September 2009 at the total cash consideration of HK$3,988,880. Mr. Cheng and Mr. Yin were the directors of China Magnesium Limited on 3 September 2009 and they were regarded as connected persons of the Company (as defined in the Listing Rules). Therefore, the aforesaid transaction constituted a connected transaction of the Company which was exempt from the independent shareholders' approval requirement and was only subject to the reporting and announcement requirements under the Listing Rules. This connected transaction was completed in September 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company, the percentage of the Company's share which are in the hands of the public exceeds 25% of the Company's total number of issued shares during the year and up to 30 March 2010.

AUDITOR

The financial statements for the year ended 31 December 2009 have been audited by SHINEWING (HK) CPA Limited (the "Auditors") who retire and, being eligible, will offer themselves for re-appointment.

By order of the Board
Shum Sai Chit
Executive Director

Hong Kong, 31 March 2010

Corporate Governance Report

The Company is committed in achieving and maintaining high standards of corporate governance and business integrity in all of its activities. The Board believes the commitment in robust corporate governance practices will translate into long-term value and providing satisfactory and sustainable returns to shareholders.

The Company has complied throughout the year of 2009 the code provisions as set out in the Code on Corporate Governance Practices (the "CCGP") under Appendix 14 to the Listing Rules, with the following deviations:

(a) Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Details of which have been disclosed in the section headed "Chairman and Chief Executive Officer (The "CEO")".

(b) Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting held on 15 May 2009 as he was obliged to be away for a business trip on that date. Ms. Chi Bi Fen, the Director of the Group, attended the said annual general meeting to answer questions from shareholders.

THE BOARD

The Company is governed by the Board which is responsible for the strategic leadership and supervising the Group's material affairs. The Board exercises a number of authorities which include:

– Formulation of the Group's overall strategies
– Monitoring and controlling operational and financial performance
– Formulation of appropriate policies to manage risks
– Reviewing the effectiveness of internal control system
– Approving financial results and public announcements
– Approving annual operating budgets
– Approving major acquisitions or disposal and capital projects
– Authorizing major investments and material borrowings
– Setting dividend policy
– Approving appointments of Directors
– Setting the Group's remuneration policy

Chairman and the CEO

Chi Wen Fu, the founder of the Group, currently holds both the roles of the Chairman and the CEO. This structure is not complied with the code provision of the CCGP. However, the Board is of the view that it is for the best interests of the Group to adopt a single leadership structure, as Mr. Chi possesses extensive experience and knowledge in the PRC market and he is playing significant role in establishing the strategic decisions and the overall management of the Group. This structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board considers that there is no suitable professional or expertise in the market to fill the position of CEO at this stage. In light of the single leadership structure, sufficient safeguards are established to ensure that the management is accountable to the Board as a whole. The Chairman/CEO ensures that Board meetings are held regularly and when necessary. The Chairman/CEO ensures that Board members are provided with complete, adequate, accurate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. The Chairman/CEO ensures that all Directors have unrestricted access to the documents or information kept by the Group and professional advice when necessary.

Board Composition

The Board comprises eight Directors in which four are executive Directors; one is non-executive Director and three are independent non-executive Directors. The number of independent non-executive Directors therefore constitute more than one-third of the Board. During the year, Ms. Chi Bi Fen has been redesignated as an executive Director with effect from 1 June 2009 and Mr. Tang Ying Kit has been appointed as an executive Director with effect from 15 May 2009. The composition of the Board as at the date of this report is set out in page 2 of the annual report and their biographical details are set out on pages 26 and 27 of this annual report.

The Board delegates powers to executive Directors for the day-to-day management of the Company and implement major strategies and initiatives adopted by the Board whereas executive Directors should provide such explanation and information to the Board in a timely manner to enable the Board to monitor the performance of management.

Non-executive Director from diverse background bring in valuable expertise and experience to the Company and serve the important functions of advising the management on strategy development.

Independent non-executive Directors ensure the Board accounts for the interest of all shareholders and subject matters are considered in an objective matter. The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The Board has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all of the independent non-executive Directors to be independent.

Except that Mr. Chi Wen Fu and Ms. C01hi Bi Fen have a family relationship of brother and sister, there is no other relationship among the rest of the Directors.

Appointments and Re-election

New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board, are identified by the existing Directors and submitted to the Board for approval.

A Director appointed by the Board is subject to election by shareholders at the first general meeting after his/her appointment in accordance with the articles of association of the Company. All Directors are subject to the general requirement of retirement by rotation of one-third of the Directors in each annual general meeting of the Company under its articles of association of the Company. Mr. Chi Wen Fu, Mr. Shum Sai Chit and Ms. Wong May Yuk are subject to retire at the forthcoming annual general meeting of the Company, but being eligible, offers themselves for re-election.

All the existing non-executive Director and independent non-executive Directors are appointed for an initial term of two years and the term of office shall continue after the expiration of the initial term until at least 3 months' prior written notice is given by either party or the Company to terminate the same. Non-executive Director is not entitled to any emolument for her appointment as the Company's Director. Independent non-executive Directors are entitled to receive emolument of HK$30,000 per year during their appointment. Both non-executive Director and independent non-executive Directors are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the share option scheme of the Company.

Board Processes

The Board is accountable to the shareholders and leads the Group in an ethical, responsible and effective manner. The Board meets on a regular basis and as when necessary to address any specific significant matters that may arise.

The Board met 12 times in 2009. The attendance of individual Directors at meetings of the Board and its committees is set out in the following table:

		Meetings attended/held		
		Board	Audit Committee	Remuneration Committee
Executive Directors				
Chi Wen Fu		10/12	–	–
Shum Sai Chit		12/12	–	2/2
Zhou Xing Dun	(Retired on 15 May 2009)	4/12	–	–
Chi Bi Fen	(Redesignated on 1 June 2009)	10/12	–	–
Tang Ying Kit	(Appointed on 15 May 2009)	6/12	–	–
Non-Executive Director				
Wong May Yuk		5/12	–	–
Independent Non-Executive Directors				
Kwong Ping Man		10/12	5/5	2/2
Chu Wai Wa, Fangus		7/12	4/5	2/2
Liu Hoi Keung	(Appointed on 23 January 2009)	6/12	5/5	1/2

Agendas and the accompanying board papers are circulated in full to all Directors with sufficient time before the Board or committee meeting. Board decisions are made by vote at Board meetings and supplemented by the written resolutions. Minutes of the Board meetings taken by the company secretary of the Company and, together with any supporting papers, are available for inspection to all Directors. The minutes record the matters discussed by the Board, the decisions made and any concerns or dissenting views raised by the Directors.

If a Director has a conflict of interests in relation to a transaction or proposal to be considered by the Board, such Director is required to declare his/her interest and abstains from voting. Such matter shall be considered at a board meeting by Directors who have no material interest in the transaction or proposal.

DELEGATION BY THE BOARD

The Board has delegated the authority and responsibility for implementing business strategies and management of the daily operations of the Group to the senior management. The Board is empowered to access any corporate information from senior management and the company secretary at all times. The Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors are allowed to seek independent professional advice in performing their Directors' duties at the Company's expense, but no request was made by any Director for such independent professional advice in 2009.

The Board monitors and reviews performance of the management based on their several key performance indicators such as financial figures, investors' relation, corporate governance and internal control. The principal measures include review of management accounts, review of internal or external auditor reports, feedbacks from stakeholders.

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 enquiries to all Directors and all Directors have confirmed in writing that they have complied with the required standards set out in the code of conduct during the year.

BOARD'S COMMITTEES

To assist in the execution of its responsibilities, the Board has established the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee"). These committees function within clearly defined terms of reference. Independent non-executive Directors play a significant role in these committees to ensure that the independent and objective views are taken.

AUDIT COMMITTEE

All the members of the Audit Committee are independent non-executive Directors. All committee members possess appropriate qualifications such as accounting and financial management. The Audit Committee members are set out in page 2 of the annual report.

The Audit Committee met 5 times in 2009 to review with the senior management and external auditors the Group's significant internal controls and financial matters as set out in the Audit Committee's terms of reference. The functions of the Audit Committee included review of the following matters:

- The Group's financial statements with recommendation to the Board for approval
- The Group's compliance of the regulatory and statutory requirements
- The Group's internal control and risk management
- Significant accounting and audit issues
- The Group's connected transactions
- Overseeing and managing the relationship with external auditors

The Audit Committee has the power to conduct investigations into any matter within the scope of responsibility of the Audit Committee. The Audit Committee is authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. The Audit Committee has obtained a written confirmation from the Auditors on their independence and objectivity as required under the Section 290 (revised) of the Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants prior to the commencement of the audit of the Company's financial statements for the year ended 31 December 2009.

The Audit Committee has been satisfied with the review of the audit scope, process and effectiveness, independence of the Auditors. The Audit Committee has reviewed and recommended to the Board for approval of the 2009 financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises of four members, the majority of whom are independent non-executive Directors. The Remuneration Committee members are set out in page 2 of the annual report.

The functions of the Remuneration Committee are to formulate transparent procedures for developing remuneration policies and packages for Directors and the senior management of the Group. Its duties include:

– Reviewing and recommending the remuneration packages of the Directors and the senior management of the Group
– Reviewing the administration of the share option scheme of the Company
– Reviewing the appropriateness of compensation for Directors and the senior management of the Group

No Director is involved in determining his/her own remuneration. The Remuneration Committee met twice in 2009 to review the existing remuneration policy.

AUDITORS' REMUNERATION

The Company has appointed SHINEWING (HK) CPA Limited as the auditors of the Group. The Board is authorized in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors perform the work of statutory audit for the year of 2009 and also involve in non-audit assignment of giving a confirmation to IFC in respect of the Group's compliance of certain financial covenants under the IFC loan.

The following principles are considered when determining the appointment of the Auditors in non-audit services:

– No management decision made by the Auditors
– Independence of the Auditors not to be impaired
– Quality of service
– Cost of service

The Audit Committee was satisfied that the non-audit services provided by the Auditors did not affect its independence. The remuneration of the Auditors for the year of 2009 and 2008 are as follows:

	Year 2009	Year 2008
Audit services	HK$1,040,000	HK$1,040,000
Non-audit services	HK$10,000	HK$10,000

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledge their responsibilities for preparation of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and its subsidiaries and in compliance with the requirements of the Hong Kong Company Ordinance and the applicable disclosure provisions of the Listing Rules.

The Auditors acknowledge their responsibilities in the auditors' report as set out on page 28 and 29 of this annual report.

INTERNAL CONTROLS

The Board acknowledges its responsibility to establish, maintain and review the effectiveness of the Group's system of internal controls with a view to ensuring that shareholders' investments and the Company's assets are safeguarded. This responsibility is primarily fulfilled on its behalf by the Audit Committee.

The foundation of a strong system of internal control is a solid control environment. This is dependent on the following components:

– Ethics and culture of the organization
– Quality and competence of its personnel
– Direction provided by the Board, and
– Effectiveness of management.

RISK MANAGEMENT

The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognizes the importance of open communication and fair disclosure. It is the Company's policy to ensure that all shareholders are equally informed of all major corporate developments.

All shareholders have proper notice of any general meeting of the Company at which the Directors and the committees member are available to give explanation on any query raised by the shareholders. Major corporate information could be obtained in the Company's website or financial reports and circulars sent to the shareholders. Any enquiries by the shareholders requiring the Board's attention can also be sent in writing to our company secretary of the Company at the Company's business address in Hong Kong.

As part of a regular program of investor relations, senior executives may hold briefings or road shows after the results announcement and attend conferences with institutional investors and analysts to engage in two-way communications on Company's performance, objectives and developments. Company visits can be arranged upon specific request.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

CHI Wen Fu (池文富): aged 47, is the Chairman and CEO of the Group responsible for overall strategic direction and key operating decisions. Mr. Chi graduated from Fujian Light Industry Technical College (福建省輕工業技術學校) in 1981 specialising in Chemical Analysis. Mr. Chi became a qualified lawyer in the PRC in 1989 and joined Fuzhou Justice Bureau Commerce Law Office (福州市司法局經濟律師事務所). Mr. Chi left Fuzhou Justice Bureau Commerce Law Office and set up a law office in Fuzhou in 1995 in which he was the managing partner. In early 1998, Mr. Chi started initial research on organic agricultural production and funded a project on research and development of microbial compound fertilizer products. Mr. Chi established the Group in 2000.

SHUM Sai Chit (沈世捷): aged 52, is the Chief Operation Officer of the Group responsible for investment and commercial activities of the Group in Hong Kong. Mr. Shum is a graduate from Longxi Finance Training College (龍溪地區財貿幹部學校) specializing in Consumer Product Pricing Statistics. Mr. Shum joined Fujian Textiles Import and Export Corporation (福建省紡織品進出口公司) as a manager in 1984 responsible for importing and exporting of textile products. Mr. Shum became the managing director of Go Modern Limited which was principally engaged in the business of manufacturing of textile products and trading activities. Mr. Shum joined the Group in January 2002.

CHI Bi Fen (池碧芬): aged 51, is the Vice-President of the Group. Before joining the Group in March 2000, Ms. Chi was a deputy general manager of an electrical equipment company for more than 17 years. She has a diploma in Accounting and Finance from Fujian Province Finance Middle Professional College (福建財經中等專業學校) in the PRC and obtained the intermediate level of speciality in Accounting in the PRC. Ms. Chi has extensive experience in the field of accounting, taxation and finance in the PRC for more than 15 years.

TANG Ying Kit (鄧英傑): aged 36, is the Chief Financial Officer and Company Secretary of the Company. Prior to joining the Group in April 2003, he served as the finance manager with Guangdong Assets Management Limited and Guangdong Enterprise (Holdings) Limited. Mr. Tang has extensive experience in the field of accounting, finance and management for more than 10 years. He has a Bachelor degree in Business Administration in Finance from the Hong Kong University of Science and Technology and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants.

NON-EXECUTIVE DIRECTOR

WONG May Yuk (黃美玉): aged 67, is the Chairman of Go Modern Limited. Ms. Wong has over 30 years of experience in garment manufacturing, trading, property development in both Hong Kong and the PRC. Ms. Wong is also the Vice Chairman of a private school, the Fuzhou Li Ming Private School (福州黎明私立學校), and a director of a public high-school, the Fuzhou Yan An High School (福州延安中學), in Fuzhou, Fujian Province, the PRC. Ms. Wong joined the Group in October 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWONG Ping Man (鄺炳文): aged 45, is the director of O'Park Corporate Services Limited, engaging corporate advisory services. Prior to joining the Group, he served as the chief financial officer of various companies for almost 7 years. Mr. Kwong has over 15 years of experience in accounting, finance and administration. Mr. Kwong obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University. Mr. Kwong is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwong is also an associate member of the Hong Kong Institute of Company Secretaries. Mr. Kwong is currently an independent non-executive director of Yueshou Environmental Holdings Limited (Stock Code: 1191) and Mitsumaru East Kit (Holdings) Limited (Stock Code: 2358).

CHU Wai Wa, Fangus (朱偉華): aged 42, is the director and chief financial officer of Excellent Management Limited, a regional technology company specializing in software application development and business process re-engineering. Mr. Chu has over 15 years of experience in accounting, finance and information technology. Mr. Chu received a master of science degree in Global Business from the Chinese University of Hong Kong. Mr. Chu is an associate member of Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

Liu Hoi Keung (廖開強): aged 45, is the founder and managing director of Charterwood Capital Limited, a business and finance advisory and investment company. Mr. Liu has over 20 years of experience in accounting, auditing, finance and management. Mr. Liu received a master of science degree in Electronic Commerce and Internet Computing from the University of Hong Kong. Mr. Liu is an associate member of Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT

XU Zhi Yun (徐旨雲): aged 57, is the president of the Group's corporations in Jiangsu Province (江蘇區域企業). Mr. Xu is a graduate of the Central South University of Technology (中南礦冶學院) (now named Central South University (中南大學)) and he is a senior engineer in the mechanics profession. He was the Deputy Head of the Science and Technology Bureau of Donghai County (東海縣) of Jiangsu Province. Mr. Xu joined the Group in April 2009.

ZHANG Ren Sheng (張仁盛): aged 40, is the Assistant to the Group's CEO responsible for corporate management and planning. Mr. Zhang is a graduate from the School of Business of Wuhan University (武漢大學商學院) and holds a master degree in Business Administration. Mr. Zhang has over 10 years of experience in corporate management and business planning. Mr. Zhang joined the Group in July 2008.

CHEN Ru Mao (陳儒茂): aged 39, is the sales manager responsible for the Group's sales of the agriculture-related products. Mr. Chen is a graduate from Fuzhou University (福州大學). He possesses a degree in Bachelor of Engineering and the title of economist in the PRC. Mr. Chen has over 10 years of experience in sales in the PRC. Mr. Chen joined the Group in July 2004.

LUO Ming Liang (羅明亮): aged 47, is the Chief Engineer of a subsidiary of the Group. Mr. Luo is a graduate from Zhongnan University of Industry (中南（工業）大學) with a master degree in Nonferrous Metallurgy (有色冶金碩士學位) and the qualification of Senior Engineer of Thermal Engineering of Metallurgy (冶金熱能工程). Mr. Luo has 20 years of researching and managing experience in the art of pidgeon process of magnesium smelting. Mr. Luo joined the Group in October 2009.

CHEN Li Wen (陳利文): aged 36, is the Finance Manager of the Group responsible for the daily financial management matter of the Group. Ms. Chen is a graduate from Southwestern Jiaotong University (西南交通大學) in the PRC with a major in Business Administration and she possesses the title of accountant in the PRC. Ms Chan has over 15 years of experience in accounting and taxation. Ms Chan joined the Group in March 2005.

NG Kin Man (伍健文): aged 33, is the Finance Manager of the Group responsible for the group accounting. Mr. Ng is a graduate from Oxford Brookes University in the United Kingdom and holds a bachelor degree in Accounting and Finance. He is a member of the Hong Kong Institute of Certified Accountants and associate member of the Association of Chartered Certified Accountants. He has over 7 years of experience in auditing and financial management. Mr. Ng joined the Group in August 2008.

WEI Gao Jun (魏高俊): aged 33, is the Regional Finance Manager of the Group responsible for regional finance. Mr. Wei is a graduate from Jiangsu Polytechnic University (江蘇理工大學) and holds a bachelor degree in accounting. He is a certified accountant in the PRC. Mr. Wei has over 10 years of experience in accounting and financial management. Mr. Wei joined the Group in August 2008.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF
CENTURY SUNSHINE GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Century Sunshine Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 92, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
31 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Revenue	7	385,309	386,782
Cost of sales		(314,263)	(327,525)
Gross profit		71,046	59,257
Other income and gains	9	23,377	30,196
Selling and marketing costs		(10,722)	(7,770)
Administrative expenses		(33,694)	(45,556)
Discount on acquisition of subsidiaries	33	–	4,527
Finance costs	10	(7,917)	(8,260)
Profit before income tax		42,090	32,394
Income tax expense	11	(8,645)	(10,047)
Profit for the year	12	33,445	22,347
Profit for the year attributable to:			
Owners of the Company		38,356	27,273
Minority interests		(4,911)	(4,926)
		33,445	22,347
Proposed final dividend	14	8,922	5,948
Earnings per share:			
— basic	15	RMB1.72 cents	RMB1.23 cents
— diluted	15	RMB1.72 cents	RMB1.22 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year	33,445	22,347
Other comprehensive (expenses) income:		
Exchange differences arising from translation of foreign operation (net of tax)	(149)	118
Total comprehensive income for the year	33,296	22,465
Total comprehensive income attributable to:		
Owners of the Company	38,207	27,391
Minority interests	(4,911)	(4,926)
	33,296	22,465

Consolidated Statement of Financial Position

As at 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Land use rights	16	46,763	47,745
Property, plant and equipment	17	223,043	154,212
Investment properties	18	66,314	70,186
Intangible assets	19	787	1,780
Exploration and evaluation assets	20	29,369	–
Deposit for acquisition of subsidiaries	22	48,400	48,400
Deposit for acquisition of plant and machinery		628	19,538
		415,304	341,861
Current assets			
Inventories	23	35,235	65,384
Land use rights	16	1,005	1,005
Trade and other receivables	24	86,241	63,357
Investments held for trading	25	14,908	63,601
Deposits with banks	26	413,000	–
Cash and cash equivalents	26	234,155	591,937
		784,544	785,284
Current liabilities			
Trade and other payables	27	85,354	53,742
Income tax payable		6,486	6,740
		91,840	60,482
Net current assets		692,704	724,802
Total assets less current liabilities		1,108,008	1,066,663
Non-current liabilities			
Borrowings	28	113,517	112,056
Deferred tax liability	29	3,251	3,318
		116,768	115,374
Net assets		991,240	951,289
Capital and reserves			
Share capital	30	47,018	46,426
Reserves	32	884,178	845,456
Equity attributable to owners of the Company		931,196	891,882
Minority interests		60,044	59,407
Total equity		991,240	951,289

The consolidated financial statements on pages 30 to 92 were approved and authorised for issue by the board of directors on 31 March 2010 and are signed on its behalf by:

Chi Wen Fu
Director

Shum Sai Chit
Director

Statement of Financial Position

As at 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	17	542	700
Investments in subsidiaries	21	1,804	1,804
		2,346	2,504
Current assets			
Trade and other receivables	24	5,815	13,927
Investments held for trading	25	7,867	3,854
Amounts due from subsidiaries	21	413,183	390,574
Dividend receivable		216,081	216,081
Cash and cash equivalents	26	28,666	45,701
		671,612	670,137
Current liability			
Trade and other payables	27	1,301	1,500
Net current assets		670,311	668,637
Total assets less current liability		672,657	671,141
Net assets		672,657	671,141
Capital and reserves			
Share capital	30	47,018	46,426
Reserves	32	625,639	624,715
Total equity		672,657	671,141

The financial statements on pages 30 to 92 were approved and authorised for issue by the board of directors on 31 March 2010 and are signed on its behalf by:

Chi Wen Fu
Director

Shum Sai Chit
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Statutory reserves (note (iii)) RMB'000	Employee compensation reserves RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2008	46,426	557,020	2,282	11,965	32,772	2,503	2,050	–	220,117	875,135	49,062	924,197
Profit for the year	–	–	–	–	–	–	–	–	27,273	27,273	(4,926)	22,347
Other comprehensive income for the year	–	–	–	–	–	–	118	–	–	118	–	118
Total comprehensive income for the year	–	–	–	–	–	–	118	–	27,273	27,391	(4,926)	22,465
Share option scheme – value of employee services	–	–	–	–	–	731	–	–	–	731	–	731
Acquisition of additional equity interests of a subsidiary	–	–	–	–	–	–	–	(3,385)	–	(3,385)	(28,815)	(32,200)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	44,086	44,086
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(7,990)	(7,990)	–	(7,990)
As at 31 December 2008	46,426	557,020	2,282	11,965	32,772	3,234	2,168	(3,385)	239,400	891,882	59,407	951,289

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Statutory reserves (note (iii)) RMB'000	Employee compensation reserves RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2009	46,426	557,020	2,282	11,965	32,772	3,234	2,168	(3,385)	239,400	891,882	59,407	951,289
Profit for the year	–	–	–	–	–	–	–	–	38,356	38,356	(4,911)	33,445
Other comprehensive expenses for the year	–	–	–	–	–	–	(149)	–	–	(149)	–	(149)
Total comprehensive (expenses) income for the year	–	–	–	–	–	–	(149)	–	38,356	38,207	(4,911)	33,296
Share option scheme												
– value of employee services	–	–	–	–	–	110	–	–	–	110	–	110
– proceed from share issued	592	4,628	–	–	–	(1,489)	–	–	–	3,731	–	3,731
– value of share options lapsed	–	–	–	–	–	(1,855)	–	–	1,855	–	–	–
Contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	13,601	13,601
Acquisition of additional equity interest of subsidiaries	–	–	–	–	–	–	–	3,214	–	3,214	(8,053)	(4,839)
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(5,948)	(5,948)	–	(5,948)
As at 31 December 2009	47,018	561,648	2,282	11,965	32,772	–	2,019	(171)	273,663	931,196	60,044	991,240

Notes:

(i) Capital redemption reserve represents the nominal value of the shares of the Company which was transferred from the Company's retained earnings upon repurchase and cancellation of shares by the Company.

(ii) Capital reserve represents the difference between the nominal value of the shares of the subsidiaries that have been acquired and capitalised pursuant to a group reorganisation over the nominal value of the Company's shares issued in exchange therefore.

(iii) In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and the relevant PRC rules and regulations, these subsidiaries are required to set aside 10% of their net profit after income tax as recorded in the PRC statutory financial statements as statutory reserves, except where the reserve fund balance has reached 50% of the subsidiaries' registered capital. The reserve fund can only be used to make good the subsidiaries' previous years' losses, to expand the subsidiaries' production operations or to increase the capital of the subsidiaries.

(iv) The consolidated profit attributable to owners of the Company includes a profit of approximately RMB3,623,000 (2008: loss of RMB41,581,000) which has been dealt with in the financial statement of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES		
Profit before income tax	42,090	32,394
Adjustments for:		
Depreciation and amortisation	36,737	23,405
Finance costs	7,917	8,260
Impairment of property, plant and equipment and intangible assets	3,559	187
Allowance for inventories	495	8,496
Loss on disposal of property, plant and equipment	700	180
Share options granted to directors and employees	110	731
Gain on disposal of investments held for trading	(2,600)	(2,346)
Gain on disposal of available-for-sale investments	–	(17,267)
Change in fair value of investments held-for-trading	(5,399)	(1,247)
Discount on acquisition of subsidiaries	–	(4,527)
Dividend income	(397)	–
Interest income	(8,148)	(8,063)
Net exchange (gain) loss	(5,310)	17,087
Operating cash flows before movements in working capital	69,754	57,290
Decrease (increase) in inventories	29,654	(37,128)
(Increase) decrease in trade and other receivables	(21,487)	13,934
Increase in trade and other payables	25,582	2,588
Cash generated from operations	103,503	36,684
Income tax paid	(8,966)	(10,532)
NET CASH FROM OPERATING ACTIVITIES	94,537	26,152

	NOTES	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Purchase of held-to-maturity investments		(662,500)	–
Increase in deposits with banks		(413,000)	–
Purchase of property, plant and equipment		(86,194)	(72,627)
Purchase of exploration and evaluation assets		(20,969)	–
Purchase of investments held for trading		(17,939)	(569,854)
Acquisition of additional equity interests of a subsidiary		(4,839)	(32,200)
Addition on deposit for acquisition of plant and machinery		(628)	–
Purchase of available-for-sale investments		–	(30,849)
Proceeds from realisation of held-to-maturity investments upon maturity		662,500	–
Proceeds from disposal of investments held for trading		74,631	511,846
Interest received		6,751	8,063
Proceeds from disposal of available-for-sale investments		–	48,116
Net cash outflow in respect of the acquisition of subsidiaries	33	–	(10,658)
Dividend received		397	–
Proceeds from disposal of property, plant and equipment		258	137
Deposit paid for acquisition of subsidiaries		–	(48,400)
NET CASH USED IN INVESTING ACTIVITIES		(461,532)	(196,426)
FINANCING ACTIVITIES			
Contribution from minority shareholders		13,601	–
Proceeds from shares issued pursuant to the share option scheme		3,731	–
Interest paid		(6,456)	(6,882)
Dividend paid		(5,948)	(7,990)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		4,928	(14,872)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(362,067)	(185,146)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		591,937	792,914
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		4,285	(15,831)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	234,155	591,937

1. GENERAL INFORMATION

Century Sunshine Group Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group") are principally engaged in the production and sales of agriculture related products, raw materials and magnesium-related products.

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. On 17 February 2004, the Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were withdrawn from the GEM Board on 31 July 2008. Since 1 August 2008, the Company's shares have been listing on the Main Board of the Stock Exchange. In the opinion of the directors, the ultimate holding company of the Company is Alpha Sino International Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 21. The registered office and principal place of business of the Company are disclosed on page 3 of the annual report.

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements
HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments
HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8), and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendment to HKFRS 7 Financial Instrument: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-Settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirements[6]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

In addition, as part of Improvement to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less any identified impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already controlled by the Group, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the net carrying amount of the identifiable assets, liabilities and contingent liabilities acquired. The difference between the cost of additional interest acquired and the book value of the identifiable assets, liabilities and contingent liabilities attributable to the additional interest acquired is recognised as a reserve movement (other reserve). The difference represents the difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary. On the subsequent disposal of the subsidiary, the reserve is transferred to retained earnings.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investment including financial assets at fair value through profit or loss is recognised when the shareholders' right to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, including freehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress and freehold land) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line methods.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Land use rights

Payment for obtaining land use right is considered as prepaid operating lease payment. Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses, amortisation is charged to profit or loss over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during the development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 Impairment of Assets whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period.

For the purposes of presenting the financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rates of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Share options granted to employees

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee compensation reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to employee compensation reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained earnings.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
The Group's financial assets are classified into one of the four categories, including held for trading, loans and receivables, held-to-maturity investments and available-for-sales financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit and loss ("FVTPL")
Financial assets at FVTPL represent investments held for trading.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at fair value through profit and loss ("FVTPL") (Continued)
A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits with banks, cash and cash equivalents, amounts due from subsidiaries and dividend receivable) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets
Available for sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment reserve is reclassified to profit or loss (see accounting policies on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost loss any identified impairment losses at the end of each reporting period (see accounting policy on any impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all of the Group's financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Convertible bonds

Convertible bonds issued by a subsidiary of the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the subsidiary's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the subsidiary, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Convertible bonds (Continued)
Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following is the critical judgement, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) *Exploration and evaluation assets*
When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit. After taking into account of the current economic environment, the directors of the Company have confirmed that there is no indicator for impairment on the exploration and evaluation assets.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Estimated impairment of investment properties, property, plant and equipment and intangible assets*
The Group evaluates whether investment properties, property, plant and equipment and intangible assets have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units represent the higher of the asset's fair value less costs to sell or its value-in-use. The calculations of fair value less costs to sell or value-in-use require the use of estimates. During the year, the Group provided the impairment for property, plant and equipment of RMB3,559,000 (2008: Nil).

(b) *Estimated useful lives of investment properties, property, plant and equipment and intangible assets*
The Group's management determines the estimated useful lives and related depreciation/amortisation charges for its investment properties, property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of investment properties, property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING JUDGEMENTS KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(c) Estimated impairment of inventories

The management of the Group reviews the inventories listing on a product-by-product basis at the end of the reporting period. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. During the year, the Group provided the allowance for inventories of RMB495,000 (2008: RMB8,496,000).

(d) Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Financial assets				
Loans and receivables (including deposits with banks and cash and cash equivalents)	711,498	643,592	663,487	666,028
Investments held for trading	14,908	63,601	7,867	3,854
Financial liabilities				
Amortised cost	159,212	150,088	1,301	1,500

(b) Financial risk management objectives and polices

The Group's and the Company's major financial instruments include investments held for trading, trade and other receivables, deposits with banks, cash and cash equivalents, trade and other payables and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include foreign exchange risk, interest rate risk, other price risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group's and the Company's overall risk management programme focus on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and polices (Continued)

i) Foreign exchange risk

The Group and the Company mainly operate in the People's Republic of China (the "PRC") and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars ("HK$") and Australian dollars ("AUD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group's and the Company's management do not expect the net foreign currency risk from these activities to be significant and hence, the Group and the Company do not presently hedge the foreign exchange risks. The Group and the Company periodically review liquid assets and liabilities held in currencies other than RMB to evaluate its foreign exchange risk exposure.

Sensitivity analysis

As at 31 December 2009, if RMB had weakened/strengthened by 5% (2008: 5%) against HK$ with all other variables held constant, the Group's net profit would have been approximately RMB59,000 (2008: RMB502,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK$-denominated cash and cash equivalents.

As at 31 December 2009, if RMB had weakened/strengthened by 5% (2008: 5%) against AUD with all other variables held constant, the Group's net profit would have been approximately RMB683,000 (2008: RMB786,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of AUD-denominated cash and cash equivalents.

ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate deposits with banks and fixed-rate long-term borrowings (see notes 26 and 28 respectively for details).

The Company has no significant interest rate risk.

Sensitivity analysis

If interest rates on deposits with banks and borrowings as at 31 December 2009 and 2008 had been 10 basis points (0.1% per annum) higher/lower than the actual effective interest rate, the Group's net profit would have been approximately RMB299,000 higher/lower (2008: RMB120,000 lower/higher) as a result of a decrease/increase in fair value of fixed-rate deposits with banks and fixed-rate borrowings.

As management considers the Group's exposure to the above fair value interest rate risk is not significant, no interest-rate swaps or other hedging activities are undertaken by management during the year.

The Group is also exposed to cash flow interest rate risk in relation to bank balances carried at prevailing market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and polices (Continued)

iii) Other price risk

The Group and the Company is exposed to equity price risk through its investments in listed equity securities and unlisted investments in funds. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's and the Company's other price risk is mainly concentrated on equity instruments listed in Hong Kong and the PRC and on fund investment quoted by the financial institutions.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2008: 10%) higher/lower, the Group's net profit would increase/decrease by approximately RMB1,491,000 (2008: RMB6,360,000) as a result of the changes in investments held for trading.

iv) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Group which comprise cash and cash equivalents, the Group's exposure to credit risk arising from default of the counterparties is limited as the counterparties have good credit standing and the Group does not expect to incur significant loss for uncollected advances/deposits from these entities.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. The Group's bank deposits and deposits placed with a financial institution are placed in high quality financial institutions without significant exposure to credit risk.

The directors consider that there is no significant credit risk in respect of the Group's bank deposits and deposits placed with a financial institution as the financial institution has no record of default payment.

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and polices (Continued)

v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping adequate facilities available.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The Group

2009	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	45,695	–	–	45,695	45,695
Borrowings	6,456	6,456	132,912	145,824	113,517
	52,151	6,456	132,912	191,519	159,212

2008	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	38,032	–	–	38,032	38,032
Borrowings	6,456	6,456	139,368	152,280	112,056
	44,488	6,456	139,368	190,312	150,088

5. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and polices (Continued)

v) Liquidity risk (Continued)

The Company

2009	Total undiscounted cash flows and due within one year RMB'000	Carrying amount RMB'000
Trade and other payables	1,301	1,301

2008	Total undiscounted cash flows and due within one year RMB'000	Carrying amount RMB'000
Trade and other payables	1,500	1,500

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

– the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Except for borrowings as disclosed in note 28, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to their immediate or short-term maturities.

5. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

Fair value measurements recognised in the statement of financial position

The financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2009, the fair value of investments held for trading amounted to approximately RMB14,908,000 is derived from unadjusted quoted prices in active market for identical assets and hence, its fair value measurement is grouped into Level 1.

6. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity as shown in the consolidated statement of financial position.

During the year ended 31 December 2009, the Group's strategy, which was unchanged from that of the year ended 31 December 2008 is to maintain a gearing ratio within 30%. The gearing ratios as at 31 December 2009 and 2008 were as follows:

	2009 RMB'000	2008 RMB'000
Total borrowings	113,517	112,056
Total equity	991,240	951,289
Gearing ratio	11%	12%

7. REVENUE

The Group is principally engaged in the production and sales of agriculture-related products and raw materials. An analysis of the Group's revenue for the year is as follows:

	2009 RMB'000	2008 RMB'000
Sales of agriculture-related products	373,877	325,025
Sales of raw materials	11,432	61,757
	385,309	386,782

8. SEGMENT INFORMATION

Application of HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was business segments. The adoption of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Specifically, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied by the Group (i.e. organic fertilizers, compound fertilizers, biological pesticides, raw materials and magnesium-related products). However, information reported to the Group's Chief Executive Officer (being the chief operating decision maker) is focused on the operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

- Agriculture-related products
- Raw materials
- Magnesium-related products

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

8. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2009:

	Agriculture-related products RMB'000	Raw materials RMB'000	Magnesium-related products RMB'000	Total RMB'000
Revenue	373,877	11,432	–	385,309
Segment results	57,281	(516)	–	56,765
Other income and gains				23,377
Central administrative costs				(30,135)
Finance costs				(7,917)
Profit before income tax				42,090

For the year ended 31 December 2008:

	Agriculture-related products RMB'000	Raw materials RMB'000	Magnesium-related products RMB'000	Total RMB'000
Revenue	325,025	61,757	–	386,782
Segment results	57,263	(14,687)	–	42,576
Discount on acquisition of subsidiaries	–	–	4,527	4,527
Other income and gains				30,196
Central administrative costs				(36,645)
Finance costs				(8,260)
Profit before income tax				32,394

Segment results represents the results from each segment without allocation of central administrative costs including directors' salaries, other income and gains, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended by reportable segment are as follows:

	Agriculture-related products RMB'000	Raw materials RMB'000	Magnesium-related products RMB'000	Total segment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	168,297	32,104	173,975	374,376	825,472	1,199,848
Segment liabilities	61,624	5,878	16,563	84,065	124,543	208,608
Capital expenditure	2,267	–	119,398	121,665	11,066	132,731

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended by reportable segment are as follows:

	Agriculture-related products RMB'000	Raw materials RMB'000	Magnesium-related products RMB'000	Total segment RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	179,121	36,458	87,558	303,137	824,008	1,127,145
Segment liabilities	47,320	2,880	–	50,200	125,656	175,856
Capital expenditure	33,681	21,558	41,050	96,289	17,389	113,678

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than investment properties, deposit for acquisition of subsidiaries, investments held for trading, deposits with banks, cash and cash equivalent and other assets for corporate use which including property, plant and equipment, and other receivables; and

– all liabilities are allocated to reportable segments other than borrowings and other payables for corporate use and deferred tax liability.

Capital expenditure comprises additions to investment properties, property, plant and equipment, land use rights and exploration and evaluation assets. Except for the additions to certain property, plant and equipment for administrative purpose, all the capital expenditure was allocated to segment.

8. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2009:

	Agriculture-related products RMB'000	Raw materials RMB'000	Magnesium-related products RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment and investment properties	22,126	6,331	386	5,919	34,762
Amortisation of land use rights and intangible assets	1,258	–	570	147	1,975
Impairment of property, plant and equipment and intangible assets	3,559	–	–	–	3,559
Loss (gain) on disposal of property, plant and equipment	671	107	(78)	–	700
Allowance for inventories	495	–	–	–	495
Gain on disposal of investments held for trading	–	–	–	2,600	2,600
Interest income from held-to-maturity investments	–	–	–	382	382
Change in fair value of investments held for trading	–	–	–	5,399	5,399
Income tax expense	8,571	–	–	74	8,645

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2008:

	Agriculture-related products RMB'000	Raw materials RMB'000	Magnesium-related products RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation of property, plant and equipment and investment properties	12,902	2,791	–	5,954	21,647
Amortisation of land use rights and intangible assets	1,718	–	–	40	1,758
Impairment of property, plant and equipment and intangible assets	187	–	–	–	187
Loss on disposal of property, plant and equipment	180	–	–	–	180
Allowance for inventories	8,496	–	–	–	8,496
Gain on disposal of investments held for trading	–	–	–	2,346	2,346
Gain on disposal of available-for-sale investments	–	–	–	17,267	17,267
Change in fair value of investments held for trading	–	–	–	1,247	1,247
Income tax expense	10,047	–	–	–	10,047

8. SEGMENT INFORMATION (Continued)

Revenue from major products

The Group's revenue from its major products are as follows:

	2009 RMB'000	2008 RMB'000
Organic fertilizers	170,501	176,594
Compound fertilizers	202,677	143,942
Biological pesticides	699	4,489
Raw materials	11,432	61,757
	385,309	386,782

Geographical information

No geographical information is presented as all of the Group's business is carried out in the PRC/Hong Kong and the Group's revenue from external customers is in the PRC.

Information about major customers

No information about major customer is presented as no single customer contributed over 10% of the total sales of the Group during the years ended 31 December 2009 and 2008.

9. OTHER INCOME AND GAINS

	2009 RMB'000	2008 RMB'000
Rental income	1,523	1,273
Interest income:		
– bank deposits	7,766	8,063
– held-to-maturity investments (note a)	382	–
Gain on disposal of available-for-sale investments	–	17,267
Dividend income	397	–
Gain on disposal of investments held for trading	2,600	2,346
Change in fair value of investments held for trading	5,399	1,247
Net exchange gain	5,310	–
	23,377	30,196

(a) The amount represented the interest income from the investment in the unlisted funds in the PRC. The interest rate on held-to-maturity investments was ranging from 1.55% to 1.81% per annum with maturity between 7 days and 30 days.

10. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest on borrowings wholly repayable within five years	7,917	8,260

11. INCOME TAX EXPENSE

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

	2009 RMB'000	2008 RMB'000
Current income tax		
– PRC Enterprise Income Tax	8,712	10,047
Deferred income tax (Note 29)	(67)	–
	8,645	10,047

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2008: Nil).

(b) The PRC Enterprise Income Tax (The "PRC EIT")

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Century Sunshine (Nan Ping) Biology Engineering Co., Ltd. ("Nan Ping") and Century Sunshine (Jiangxi) Ecological Technology Limited ("Jiangxi") are wholly foreign owned enterprises engaged in the production and sale 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 "Tax Concession"). The first profitable years after offsetting prior year tax losses of Nan Ping and Jiangxi were 2004 and 2005 respectively.

During the year ended 31 December 2009, Green Land Bio-Products Co. Ltd and 福州美地國際貿易有限公司 were loss making.

世紀陽光（福建）農業科技發展有限公司, 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 years ended 31 December 2008 and 2009.

11. INCOME TAX EXPENSE (Continued)

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from Cayman Island 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 British Virgin Islands income tax.

Century Sunshine (Australia) Limited is incorporated in Australia and was loss making during the years ended 31 December 2008 and 2009.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using a tax rate of 25%, the standard income tax rate of the PRC enterprises, as follows:

	2009 RMB'000	2008 RMB'000
Profit before income tax	42,090	32,394
Tax charge at domestic income tax rate of 25 % (2008: 25%)	10,523	8,099
Effect of different tax rates of subsidiaries operating in other jurisdictions	(921)	(2,957)
Effect of tax exemption	(7,684)	(5,247)
Tax effect of income not taxable for tax purpose	(3,278)	(7,993)
Tax effect of expenses not deductible for tax purpose	5,927	11,812
Utilisation of previously unrecognised tax losses	–	(163)
Tax effect of estimated tax losses not recognised	4,078	6,496
Income tax expense	8,645	10,047

As at 31 December 2009, the Group has unrecognised tax losses of approximately RMB58,027,000 (2008: RMB43,475,000), which can be carried forward to offset future taxable profit. Tax losses of RMB48,516,000 (2008: RMB40,848,000) will expire after five years from the year of assessment they relate to while tax losses of RMB9,511,000 (2008: RMB2,627,000) can be carried forward indefinitely. The deferred tax benefit of such tax losses has not been recognised as it is not considered probable that future taxable profit will be available to utilise the unused tax losses.

According to the EIT Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as all the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2009 RMB'000	2008 RMB'000
Wages and salaries	13,917	13,886
Share options granted to directors and employees	110	731
Payment to defined contribution retirement plans (note a)	526	550
Total staff costs (including directors' remuneration) (note 13(a))	14,553	15,167
Auditor's remuneration	924	924
Research and development expenditure recognised as expenses	9	191
Depreciation and amortisation	36,737	23,405
Loss on disposal of property, plant and equipment	700	180
Impairment of property, plant and equipment and intangible assets	3,559	187
Cost of inventories recognised as an expense	275,266	287,148
Allowance for inventories (included in cost of sales)	495	8,496
Net exchange losses	–	17,087
Operating lease rentals in respect of land and buildings	1,839	1,620

(a) As stipulated by rules and regulations in the PRC, the Group contributes to a state-sponsored retirement plan for its employees in the PRC, which is a defined contribution plan. The Group contributes approximately 14% of the employees' salary as specified by the local government, and the Group has no further obligations for the actual payment of pensions or post–retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations to retired employees.

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month.

During the year ended 31 December 2009, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately RMB526,000 (2008: RMB550,000). As at 31 December 2009, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions (2008: Nil).

13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2009 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors					
Chi Wen Fu	–	778	–	11	789
Shum Sai Chit	–	400	–	11	411
Chi Bi Fen [1]	–	270	6	–	276
Tang Ying Kit [2]	–	399	24	11	434
Zhou Xing Dun [3]	–	–	–	–	–
Non-executive directors					
Wong May Yuk	–	–	–	–	–
Chi Bi Fen [1]	–	–	–	–	–
Wu Wen Jing, Benjamin [4]	–	–	–	–	–
Independent non-executive directors					
Kwong Ping Man	26	–	6	–	32
Chu Wai Wa, Fangus	26	–	–	–	26
Liu Hoi Keung [5]	18	–	–	–	18
	70	1,847	36	33	1,986

1 Redesignated to executive director on 1 June 2009
2 Appointed on 15 May 2009
3 Retired on 15 May 2009
4 Resigned on 1 January 2009
5 Appointed on 23 January 2009

13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2008 is set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Executive directors					
Chi Wen Fu	–	859	–	11	870
Shum Sai Chit	–	431	–	11	442
Zhou Xing Dun	–	44	70	–	114
Non-executive directors					
Wong May Yuk	–	–	–	–	–
Chi Bi Fen	–	46	77	–	123
Wu Wen Jing, Benjamin [1]	–	–	–	–	–
Zou Li [2]	–	35	–	–	35
Independent non-executive directors					
Kwong Ping Man	26	–	24	–	50
To Yan Ming, Edmond [2]	15	–	–	–	15
Chu Wai Wa, Fangus [3]	6	–	–	–	6
Shen Yi Min [4]	26	–	–	–	26
	73	1,415	171	22	1,681

[1] Resigned on 1 January 2009
[2] Retired on 28 April 2008
[3] Appointed on 9 July 2008
[4] Resigned on 26 September 2008

Notes:

(i) Other benefits represent benefits from share option scheme.

(ii) None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the year (2008: Nil).

13. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2008: two) directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2008: three) individuals during the year are as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries, share options, other allowances and benefits in kind	320	927
Pension costs — defined contribution plan	11	28
	331	955

Note: The emolument of each of the above employees is below RMB880,000 (approximately HK$1,000,000).

(c) During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2008: Nil).

14. DIVIDEND

	2009 RMB'000	2008 RMB'000
Proposed final dividend of HK$0.0045 (2008: HK$0.003) per ordinary share	8,922	5,948

The proposed final dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 17 May 2010. These financial statements do not reflect this dividend payable.

	2009 RMB'000	2008 RMB'000
Dividend recognised as distribution during the year:		
2008 final dividend declared and paid of HK$0.003 (2007: HK$0.004) per ordinary share	5,948	7,990

15. EARNINGS PER SHARE

(a) Basic

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

	2009	2008
Profit attributable to owners of the Company (RMB'000)	38,356	27,273
Weighted average number of ordinary shares in issue ('000)	2,234,816	2,219,420
Basic earnings per share (RMB per share)	1.72 cents	1.23 cents

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2009	2008
Profit attributable to owners of the Company (RMB'000)	38,356	27,273
Weighted average number of ordinary shares in issue ('000)	2,234,816	2,219,420
Adjustment for share options ('000)	1,075	25,108
Weighted average number of ordinary shares for diluted earnings per share ('000)	2,235,891	2,244,528
Diluted earnings per share (RMB per share)	1.72 cents	1.22 cents

16. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net carrying values are analysed as follows:

	2009 RMB'000	2008 RMB'000
In the PRC, held on:		
Medium term leases	47,768	48,750
Current assets	1,005	1,005
Non-current assets	46,763	47,745
	47,768	48,750

17. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Freehold land (note(i)) RMB'000	Buildings (note (iv)) RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress (note (v)) RMB'000	Total RMB'000
COST								
As at 1 January 2008	2,987	110,065	17,703	64,946	839	2,898	13,183	212,621
Additions	–	4,074	2	15,289	1,211	1,194	50,857	72,627
Additions through acquisition of subsidiaries	–	–	–	65	40	687	11,699	12,491
Transfers	–	5,029	–	28,989	3,104	–	(37,122)	–
Transfer to investment properties (Note 18)	–	(78,743)	–	–	–	–	–	(78,743)
Disposals	–	–	–	(47)	–	(437)	–	(484)
Exchange alignment	(781)	(381)	(12)	–	(10)	–	–	(1,184)
As at 31 December 2008 and 1 January 2009	2,206	40,044	17,693	109,242	5,184	4,342	38,617	217,328
Additions	–	–	–	1,539	234	611	100,978	103,362
Transfers	–	–	–	363	–	–	(363)	–
Disposals	–	(871)	–	(151)	(28)	(481)	–	(1,531)
Exchange alignment	622	286	17	–	17	–	–	942
As at 31 December 2009	2,828	39,459	17,710	110,993	5,407	4,472	139,232	320,101

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (Continued)

	Freehold land (note(i)) RMB'000	Buildings (note (iv)) RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress (note (v)) RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
As at 1 January 2008	–	14,641	9,617	24,345	271	884	628	50,386
Charge for the year	–	3,130	2,781	10,413	509	795	–	17,628
Transfer to investment properties (Note 18)	–	(4,685)	–	–	–	–	–	(4,685)
Eliminated on disposals	–	–	–	(7)	–	(160)	–	(167)
Exchange alignment	–	(40)	(3)	–	(3)	–	–	(46)
As at 31 December 2008 and 1 January 2009	–	13,046	12,395	34,751	777	1,519	628	63,116
Charge for the year	–	5,807	2,910	20,191	1,024	958	–	30,890
Eliminated on disposals	–	(149)	–	(29)	(26)	(369)	–	(573)
Impairment loss recognised during the year	–	–	–	3,559	–	–	–	3,559
Exchange alignment	–	55	5	–	6	–	–	66
As at 31 December 2009	–	18,759	15,310	58,472	1,781	2,108	628	97,058
NET CARRYING VALUES								
As at 31 December 2009	2,828	20,700	2,400	52,521	3,626	2,364	138,604	223,043
As at 31 December 2008	2,206	26,998	5,298	74,491	4,407	2,823	37,989	154,212

Notes:

(i) Freehold land is held outside Hong Kong.

(ii) The Group has a production premise in Yunxiao, Fujian Province ("Yunxiao property"). The construction of phase one of the Yunxiao property was completed in March 2007 and the relevant assessment on environment was carried out by Fujian Environmental Company in April 2007. In June 2007, an assessment report was issued by Fujian Environmental Company in which it concluded that although the Yunxiao property complied with the requirements on environmental restrictions on air pollution and noise pollution, it is inconsistent with the master planning and planning on environmental function of the Yunling Industrial Development Zone. As a result, the Group cannot apply for the production permit for the Yunxiao property. During the years ended 31 December 2008 and 2009, the Group leased the Yunxiao property to other companies as workshop. Yunxiao property has been reclassified as investment properties from the date of change in use accordingly.

(iii) During the year ended 31 December 2009, the directors conducted a review of the Group's manufacturing assets and determined that a number of those assets were impaired. Accordingly, impairment loss of RMB3,559,000 has been recognised in respect of plant and machinery, which are used in the Group's agriculture-related products segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 5.94% in relation to plant and machinery.

(iv) The buildings are situated in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (Continued)

(v) No interest was capitalised and included in construction-in-progress as at 31 December 2008 and 2009. An analysis of construction-in-progress is as follows:

	2009 RMB'000	2008 RMB'000
Buildings	86,174	31,352
Plant and machinery	52,430	6,637
	138,604	37,989

(b) The Company

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
COST			
As at 1 January 2008	276	–	276
Additions	–	793	793
As at 31 December 2008 and 2009	276	793	1,069
ACCUMULATED DEPRECIATION			
As at 1 January 2008	184	–	184
Charge for the year	92	93	185
As at 31 December 2008 and 1 January 2009	276	93	369
Charge for the year	–	158	158
As at 31 December 2009	276	251	527
NET CARRYING VALUES			
As at 31 December 2009	–	542	542
As at 31 December 2008	–	700	700

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above property, plant and equipment of the Group and the Company are depreciated on a straight-line basis at the following rates per annum:

– Buildings	5 to 10 years
– Leasehold improvements	2 to 5 years
– Plant and machinery	5 years
– Furniture and office equipment	5 years
– Motor vehicles	5 years

18. INVESTMENT PROPERTIES

	RMB'000
COST	
As at 1 January 2008	–
Transfer from property, plant and equipment (Note 17)	74,058
As at 31 December 2008 and 2009	74,058
ACCUMULATED DEPRECIATION	
As at 1 January 2008	–
Charge for the year	3,872
As at 31 December 2008 and 1 January 2009	3,872
Charge for the year	3,872
As at 31 December 2009	7,744
NET CARRYING VALUES	
As at 31 December 2009	66,314
As at 31 December 2008	70,186

The investment properties represent the buildings related to phase one of the Yunxiao property.

The above investment properties are depreciated on a straight-line basis at 5% per annum.

18. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties at 31 December 2009 was approximately RMB76,297,000 (2008: RMB72,019,000). No valuation has been performed by independent qualified professional valuers. The fair value as at 31 December 2009 has been determined by the directors of the Company and is arrived at discounted cash flow projections based on reliable estimates of future cash flows with growth rate of 6.3% and discount rate of 5.94% that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

During the year ended 31 December 2009, rental income of RMB1,523,000 (2008: RMB1,273,000) and rental yield of 2.3% (2008: 1.8%) were generated from the investment properties.

19. INTANGIBLE ASSETS

	Goodwill RMB'000	Technical know-how RMB'000	Development costs RMB'000	Total RMB'000
COST				
As at 1 January 2008, 31 December 2008 and 2009	37	3,000	7,398	10,435
ACCUMULATED AMORTISATION AND IMPAIRMENT				
As at 1 January 2008	–	2,200	4,760	6,960
Amortised during the year	–	400	1,108	1,508
Impairment loss recognised during the year	37	–	150	187
As at 31 December 2008 and 1 January 2009	37	2,600	6,018	8,655
Amortised during the year	–	400	593	993
As at 31 December 2009	37	3,000	6,611	9,648
NET CARRYING VALUES				
As at 31 December 2009	–	–	787	787
As at 31 December 2008	–	400	1,380	1,780

19. INTANGIBLE ASSETS (Continued)

The goodwill was recognised on acquisition of a subsidiary. As a result of the subsidiary's loss, the directors considered that the goodwill of RMB37,000 did not bring economic benefits to the Group and as such impairment was provided in the year ended 31 December 2008 on the full carrying amount of the goodwill.

The directors of the Company had reviewed the carrying values of the Group's intangible assets as at 31 December 2008. The directors of the Company considered that it is unlikely that one of the development costs have any future value in use and therefore, the carrying amount of that development cost in the amount of approximately RMB150,000 was fully impaired during the year ended 31 December 2008.

20. EXPLORATION AND EVALUATION ASSETS

	RMB'000
Additions during the year and at 31 December 2009	29,369

The exploration and evaluation assets represented the right for exploration in a dolomite mine located at Jilin Province, the PRC with an expiry date on 15 September 2010 and the expenditures incurred in the search for mineral resources.

As at the date of approval of the financial statements of the Group, the Group is in the process of applying the related mining right and has intention to apply for an extension of the relevant license for the exploration right in the event that the related mining right has not yet been approved up to the expiry date of the existing exploration right.

21. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	The Company	
	2009	2008
	RMB'000	RMB'000
Investments, at cost:		
Unlisted share capital	1,804	1,804

21. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) Investments in subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31 December 2009:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share	Percentage of equity attributable to the Group
American Excellent Pesticide Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1.00 each	100% (Note 1)
Baishan City Tianan Magnesium Resources Company Limited	The PRC, limited liability company	Manufacturing and sale of magnesium-related products in the PRC	Registered and paid up capital HK$70,500,000	56.6%
Bright Stone Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary shares of US$1.00 each	100% (Note 1)
Capital Idea Investments Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1.00 each	100% (Note 1)
Century Sunshine (Australia) Limited	Australia, limited liability company	Inactive in Australia	1 ordinary share of AUD1.00 each	100%
Century Sunshine Ecological Technology Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1,000 ordinary shares of HK$1.00 each	100%
Century Sunshine (Jiangxi) Ecological Technology Limited	The PRC, limited liability company	Manufacturing and sale of organic fertilizers in the PRC	Registered and paid up capital HK$31,800,000	100%
Century Sunshine (Nan Ping) Biology Engineering Co., Limited	The PRC, limited liability company	Manufacturing and sale of organic fertilizers in the PRC	Registered and paid up capital HK$7,000,000	100%
Century Sunshine (Shanghai) Management Co., Limited	The PRC, limited liability company	Investment holding in the PRC	Registered and paid up capital USD9,800,000	100%
Century Sunshine (Zhangzhou) Ecological Technology Limited	The PRC, limited liability company	Investment holding in the PRC	Registered and paid up capital HK$30,000,000	100%

21. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share	Percentage of equity attributable to the Group
China Magnesium Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	56.6% (Note 3)
Excellent Pesticide (Nanchang) Limited	The PRC, limited liability company	Manufacturing and sale of biological pesticides in the PRC	Registered and paid up capital HK$1,180,000	100%
Fullocean Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	2,000 ordinary share of US$0.01 each	84.5% (Note 2)
福建麥頂融創業投資有限公司	The PRC, limited liability company	Investment holding in PRC	Registered and paid up capital RMB100,000,000	100%
Green Land Bio-Products Co., Limited	The PRC, limited liability company	Manufacturing and sale of organic fertilizers in the PRC	Registered and paid up capital HK$10,500,000	100%
Jiangsu Azureblue Technology Development Co., Limited	The PRC, limited liability company	Manufacturing and sale of compound fertilizers and raw materials in the PRC	Registered and paid up capital HK$100,000,000	83.2% (Note 4)
New Bright Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	20 ordinary shares of US1.00 each	100% (Note 1)
世紀陽光（福建）農業科技發展有限公司	The PRC, limited liability company	Research and development and sale of organic fertilizers and biological pesticides in the PRC	Registered and paid up capital HK$30,107,000	100%
福州美地國際貿有限公司	The PRC, limited liability company	Trading of compound fertilizers in the PRC	Registered and paid up capital HK$3,050,000	60%

21. INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) Investments in subsidiaries (Continued)

Notes:

(1) Shares held directly by the Company.

(2) In July 2009, the Group acquired additional 4.5% of the equity interests in Fullocean Group Limited from the minority shareholders at a consideration of RMB1,329,000. The excess of the carrying value of net assets acquired over the consideration, amounted to RMB1,032,000, was credited to other reserve for the year ended 31 December 2009.

(3) In September 2009, the Group acquired additional 5.9% of the equity interests in China Magnesium Limited from the minority shareholders at a consideration of RMB3,510,000. The excess of the carrying value of net assets acquired over the consideration, amount to RMB2,182,000, was credited to other reserve for the year ended 31 December 2009.

(4) In October 2008, the Group acquired additional 32.2% of the equity interests in Jiangsu Azureblue from the minority interests at a consideration of RMB32,200,000. As the consideration exceeds the Group's acquisition of the additional interest in the net assets amount of Jiangsu Azureblue Technology Development Co., Limited by approximately RMB3,385,000, such amount has been recognised and taken to other reserve for the year ended 31 December 2008.

(5) None of the subsidiaries had any debt securities issued outstanding at the end of the reporting period except for China Magnesium Limited which has issued HK$84,000,000 of convertible bonds, in which the Group has 100% interest. Should the convertible bonds be converted into shares upon maturity on 31 December 2012, the Group would hold 78.8% equity interest in China Magnesium Limited.

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

22. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

On 19 December 2008, Bright Stone Group Limited, a wholly-owned subsidiary of the Company entered into a memorandum of understanding ("MOU") with an independent third party to purchase the entire equity interest in and the shareholder's loan of Gold Strategy Investments Limited ("Gold Strategy"). The principal activities of Gold Strategy and its subsidiaries ("Gold Strategy Group") are serpentine related business. The principal assets of Gold Strategy Group are expected to comprise a natural serpentine mine in the Donghai County of Jiangsu Province, the PRC. A refundable earnest money of HK$55,000,000 (equivalent to RMB48,400,000) has been paid at the signing of the MOU for the acquisition. Details of the transaction has been set out in the Company's announcement dated 22 December 2008. The said acquisition has not yet been completed as at 31 December 2009 as the due diligence is still underway.

23. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	28,776	25,432
Work in progress	169	616
Finished goods	6,290	39,336
	35,235	65,384

24. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables	52,737	36,433	–	–
Prepayments and deposits	12,884	11,701	511	514
Other receivables	12,744	1,810	–	–
Deposits placed with financial institutions (note)	7,876	13,413	5,304	13,413
	86,241	63,357	5,815	13,927

Note: As at 31 December 2008, the deposits placed with a financial institution represented deposits placed with Sunshine Asset Management (HK) Limited ("Sunshine Asset") to manage the Company's investments and which was interest free. Sunshine Asset is a company in which Chi Wen Fu and Shum Sai Chit were directors. Chi Wen Fu resigned as director of Sunshine Asset on 18 June 2008 and Shum Sai Chit resigned as director of Sunshine Asset on 8 August 2008. No deposits are placed with Sunshine Asset as at 31 December 2009.

24. TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables were denominated in the following currencies:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	80,417	49,408	–	–
HK$	5,822	13,946	5,815	13,927
Others	2	3	–	–
	86,241	63,357	5,815	13,927

As at 31 December 2009, the ageing analysis of the trade receivables of the Group presented based on the invoice date was as follows:

	2009	2008
	RMB'000	RMB'000
Within 30 days	20,320	23,065
31 to 60 days	21,492	8,586
61 to 90 days	3,686	1,017
Over 90 days	7,239	3,765
	52,737	36,433

The Group allows a credit period normally up to 180 days (2008: up to 180 days) to its trade customers.

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

		Neither past due nor	Past due but not impaired		
	Total	impaired	<90 days	91–180 days	181–365 days
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009	52,737	52,312	39	376	10
2008	36,433	36,433	–	–	–

25. INVESTMENTS HELD FOR TRADING

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Listed equity securities in Hong Kong, at fair value	7,867	3,854	7,867	3,854
Listed equity securities in the PRC, at fair value	7,041	–	–	–
Unlisted funds in the PRC, at fair value	–	59,747	–	–
	14,908	63,601	7,867	3,854

Included in investment held for trading is an amount of RMB3,854,000 listed equity securities, held by Sunshine Asset as at 31 December 2008. No investment held for trading was held by Sunshine Assets as at 31 December 2009.

As at 31 December 2008, the fair value of the unlisted funds in the PRC is determined based on the price from the bank quoted for similar investments at the end of the reporting period.

26. DEPOSITS WITH BANKS AND CASH AND CASH EQUIVALENTS

As at 31 December 2009, the fixed interest rate on deposits with banks of RMB413,000,000, with maturity over three months but less than one year, was ranging from 1.87% to 2.25% (2008: Nil) per annum. The deposits with banks were denominated in RMB.

At the end of the reporting period, cash and cash equivalents comprise of the followings:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term bank deposits	–	472,585	–	9,584
Cash at bank and on hand	234,155	119,352	28,666	36,117
	234,155	591,937	28,666	45,701

At the end of the reporting period, the effective interest rate on short-term bank deposits was ranging from 2.9% to 4.1%; these deposits have an average maturity less than three months.

26. DEPOSITS WITH BANK AND CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents were denominated in the following currencies:

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
RMB	203,654	534,781	5	10
HK$	21,260	40,434	20,537	29,959
Others	9,241	16,722	8,124	15,732
	234,155	591,937	28,666	45,701

The remittance of cash and cash equivalents denominated in RMB out of the PRC is subject to the foreign exchange control restrictions imposed by the government of the PRC.

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade payables	10,237	17,296	–	–
Accruals and other payables	75,117	36,446	1,301	1,500
	85,354	53,742	1,301	1,500

As at 31 December 2009, the ageing analysis of trade payables of the Group presented based on the invoice date was as follows:

	2009 RMB'000	2008 RMB'000
Within 30 days	9,168	9,984
31 to 60 days	488	1,695
61 to 90 days	161	1,807
Over 90 days	420	3,810
	10,237	17,296

The average credit period on purchases of goods is 90 days (2008: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

28. BORROWINGS

	2009 RMB'000	2008 RMB'000
Borrowings:		
More than one year but not exceeding five years	113,517	112,056

The Group entered into a loan arrangement with International Finance Corporation ("IFC") in November 2006. Pursuant to the loan arrangement, IFC had granted a loan of RMB120,000,000 to certain subsidiaries of the Company. The loan bears interest at 5.38% per annum and is due for repayment in one installment in November 2013. The loan granted by IFC was secured by (i) corporate guarantee given by the Company; and (ii) pledges of 244,578,000 shares in the Company, as adjusted for the effect of the share subdivision ("Share Subdivision"), owned by Alpha Sino International Limited ("Alpha Sino"), the controlling shareholder. Pursuant to the loan agreement, the Group is required to place bank deposits of RMB32,000,000, RMB64,000,000 and RMB88,000,000 to IFC as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively. As at 31 December 2008 and 2009, such deposits were not yet placed to IFC. In addition, Chi Wen Fu, a director and controlling shareholder of the Company (through his 90% interest in Alpha Sino), has given an undertaking to IFC to maintain a minimum level of shareholding in the Company. The Company and the Group are complied with certain covenants, including, among other things, certain financial covenants, under the loan arrangement.

The borrowings are denominated in RMB, and have a maturity of more than 2 and less than 5 years. The effective interest rate at 31 December 2009 was 5.76% (2008: 5.94%).

The carrying amount and fair value of the Group's borrowings are as follows:

	Carrying amount		Fair value	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Borrowings	113,517	112,056	118,472	117,249

29. DEFERRED TAX LIABILITY

The components of deferred tax liability recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Land use rights	
	2009 RMB'000	2008 RMB'000
As at 1 January	3,318	–
Acquisition of subsidiaries	–	3,318
Credited to the consolidated income statement	(67)	–
As at 31 December	3,251	3,318

30. SHARE CAPITAL

	Note	Number of shares '000	Share capital RMB'000
Authorised:			
As at 1 January 2008, 31 December 2008 and 31 December 2009:			
Ordinary shares of HK$0.02 each		5,000,000	100,000
Issued and fully paid:			
As at 1 January and 31 December 2008		2,219,420	46,426
Employee share option scheme			
– proceeds from shares issued	(a)	33,650	592
As at 31 December 2009		2,253,070	47,018

Note:

(a) During the year ended 31 December 2009, 33,650,000 ordinary shares of HK$0.02 each were issued at HK$0.126 each for cash totalling approximately HK$4,340,000 (equivalent to approximately RMB3,731,000) pursuant to the employee share option scheme. The premium arose from the issue of the new shares of approximately HK$4,628,000 was credited to the share premium account. The new shares rank pari passu in all respects with the then existing shares in issue.

31. SHARE OPTIONS

On 31 January 2004, the Share Option Scheme (the "Scheme") was approved by 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 no further options may be offered or granted under the Scheme. The options granted before 1 August 2008 continued to be valid and exercisable in accordance with their terms of issue.

On 3 December 2008, a new share option scheme (the "New Scheme") was approved by the shareholders of the Company. Under the New Scheme, the Company may grant options to the directors or employees of the Group, consultant or adviser, distributor, contractor, supplier, service provider, agent, customer and business partner of the Group (the "Eligible Participant") to subscribe for shares in the Company.

Options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise as the directors may determine in its absolute discretion, provided that such terms and conditions shall not be inconsistent with any other terms and conditions of the New Scheme.

31. SHARE OPTIONS (Continued)

The subscription price is not less than the highest of (i) the closing price of the shares on Main Board as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the shares on Main Board as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of the shares. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The share options are exercisable only if the Eligible Participants remain in the service of the Group from the grant date of the share options up to the designated exercise date.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price in HK$ per share	Options '000	Average exercise price in HK$ per share	Options '000
As at 1 January	0.162	58,275	0.162	58,275
Exercised	0.126	(33,650)	–	–
Lapsed	0.211	(24,625)	–	–
As at 31 December	–	–	0.162	58,275

Options exercised in 2009 resulted in 33,650,000 shares being issued at HK$0.126 each. At the dates of exercise, the weighted average share price is HK$0.174.

Share options outstanding at the end of the reporting period have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$ per share	Share options 2009 '000	Share options 2008 '000
31 January 2009	0.126	–	45,775
31 March 2009	0.294	–	12,500
		–	58,275

31. SHARE OPTIONS (Continued)

During the years ended 31 December 2009 and 2008, no share options were granted to directors and employees. The fair value of options granted during the year ended 31 December 2005 determined using the Black-Scholes valuation model was approximately RMB7,889,000. The significant inputs into the model were share price of HK$0.294, at the grant date and adjusted for the effect of the share subdivision, exercise price shown above, standard deviation of expected share price returns of 40%, annual risk-free interest rate of 3.8%, expected life of options of approximately 1 to 4 years and dividend pay out ratio of zero. The volatility measured at the standards deviation of expected share price returns is based on statistical analysis of daily share prices from the date of listing of the Company's shares (17 February 2004) or from date of the previous grant through to the current grant date.

The Group recognised the total expenses of approximately RMB110,000 for the year ended 31 December 2009 (2008: RMB731,000) in relation to share options granted by the Company.

32. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Company

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Employee compensation reserves RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2008	46,426	557,020	2,282	2,503	1,996	109,754	719,981
Loss and total comprehensive expense for the year	–	–	–	–	–	(41,581)	(41,581)
Share option scheme							
– value of employee services	–	–	–	731	–	–	731
Dividend recognised as distribution	–	–	–	–	–	(7,990)	(7,990)
As at 31 December 2008 and 1 January 2009	46,426	557,020	2,282	3,234	1,996	60,183	671,141
Profit and total comprehensive income for the year	–	–	–	–	–	3,623	3,623
Share option scheme							
– value of employee services	–	–	–	110	–	–	110
– proceed from share issued	592	4,628	–	(1,489)	–	–	3,731
– value of share option lapsed	–	–	–	(1,855)	–	1,855	–
Dividend recognised as distribution	–	–	–	–	–	(5,948)	(5,948)
As at 31 December 2009	47,018	561,648	2,282	–	1,996	59,713	672,657

33. ACQUISITION OF SUBSIDIARIES

On 30 December 2008, the Group acquired 80% of the equity interests in Fullocean Group Limited ("Fullocean Group") at a consideration of RMB36,168,000. The acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction and the discount on acquisition of subsidiaries arising are as follows:

	Acquiree's carrying value before combination RMB'000	Fair value adjustments RMB'000	Fair value RMB'000
Assets (liabilities) acquired:			
Property, plant and equipment	12,491	–	12,491
Land use rights	15,290	13,270	28,560
Deposit for acquisition of plant and machinery	19,538	–	19,538
Investments held for trading	2,000	–	2,000
Cash and cash equivalents	25,510	–	25,510
Deferred tax liability	–	(3,318)	(3,318)
	74,829	9,952	84,781
Minority interests			(44,086)
Net assets acquired			40,695
Discount on acquisition of subsidiaries			(4,527)
			36,168
Satisfied by:			
Cash consideration paid			36,168
An analysis of the net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries are as follows:			
Cash consideration paid			(36,168)
Cash and cash equivalents acquired			25,510
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(10,658)

33. ACQUISITION OF SUBSIDIARIES (Continued)

Fullocean Group did not contribute any revenue and profit to the Group from 30 December 2008 to 31 December 2008.

If the above transaction had been completed on 1 January 2008, there would have no significant impact on total Group's turnover and profit for the year ended 31 December 2008 as the revenue and results of Fullocean Group is not significant during that year.

The discount on acquisition of subsidiaries was attributable to the ability of the Group in negotiating the agreed terms with the vendor.

34. COMMITMENTS

(a) Capital commitments

	The Group	
	2009	2008
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**8,801**	69,111

The Company has no capital commitment as at 31 December 2009 and 2008.

(b) Operating lease commitments

The Group as lessee

The Group leases various office premises and warehouses under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**1,093**	1,493	**445**	891
In the second to fifth years inclusive	**849**	646	**–**	445
Over five years	**998**	290	**–**	–
	2,940	2,429	**445**	1,336

34. COMMITMENTS (Continued)

(b) Operating lease commitments (Continued)

The Group as lessor
All of the properties held have committed tenants for the next one year.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,528	255	–	–
In the second to fifth years inclusive	254	–	–	–
	1,782	255	–	–

35. RELATED-PARTY TRANSACTIONS

Except as disclosed in elsewhere in the financial statements, the Group entered into the following significant related party transactions during the year:

(a) Key management compensation

	2009	2008
	RMB'000	RMB'000
Directors (Note 13(a))	1,986	1,681
Other key management personnel:		
Salaries and other short-term employee benefits	139	729
	2,125	2,410

Key management compensation include an amount of approximately RMB65,000 (2008: RMB107,000) paid to Chi Wen Qiang, a brother of Chi Wen Fu (a director and controlling shareholder of the Company), and Chi Bi Fen and Chi Bi Bing, sister of Chi Wen Fu.

(b) Chi Wen Fu has given an undertaking to IFC to maintain a minimum level of shareholding in the Company as collateral of the borrowings as detailed in note 28.