



**SunGreen**

First Quarterly Report 2005

**SunGreen**

**Sungreen International Holdings Limited**

**綠陽國際控股有限公司 \***

(Incorporated in Bermuda with limited liability)

For identification purpose only

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

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

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

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

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Sungreen International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**HIGHLIGHTS**

- Net profit of the Group for the three months ended 31 March 2005 amounted to approximately RMB2.0 million, representing an increase of approximately 33.9% over the corresponding period in 2004.
- The Directors do not recommend an interim dividend for the three months ended 31 March 2005.

**CONSOLIDATED RESULTS (UNAUDITED)**

The board of directors of Sungreen International Holdings Limited (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2005, together with the comparative figures for the corresponding period in 2004 as follows:

		<b>Three months ended 31 March</b>	
	<i>Notes</i>	<b>2005 RMB</b>	2004 <i>RMB</i>
Revenue	2	<b>25,546,693</b>	21,538,262
Cost of sales		<b>(15,199,304)</b>	(11,957,019)
Gross profit		<b>10,347,389</b>	9,581,243
Other operating income		<b>28,053</b>	61,221
Selling and distribution costs		<b>(3,196,458)</b>	(4,864,564)
Administrative expenses		<b>(3,133,871)</b>	(1,388,178)
Other operating expenses		<b>(2,192)</b>	–
Profit from operations		<b>4,042,921</b>	3,389,722
Finance costs		<b>(619,422)</b>	(1,093,254)
Profit before tax		<b>3,423,499</b>	2,296,468
Income tax expenses	3	–	–
Profit after tax		<b>3,423,499</b>	2,296,468
Minority interests		<b>(1,425,080)</b>	(803,747)
Net profit for the period		<b>1,998,419</b>	1,492,721
Dividends	4	<b>Nil</b>	Nil
Earnings per share, basic ( <i>cents</i> )	5	<b>2.50</b>	1.87

Notes:

## 1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated and registered as an exempted company in Bermuda on 14 April 2004.

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the group (the “Group”) formed after the completion of the Group Reorganisation on 16 February 2005.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, these unaudited results of the Group have been prepared on the basis as if the Company had always been the holding company of the Group. The directors consider that this basis provides meaningful information for shareholders as regards the historical performance of the companies now comprising the Group.

Details of the Group Reorganisation are set out in the prospectus (the “Prospectus”) issued by the Company dated 21 February 2005.

The shares of the Company were listed on the GEM of the Stock Exchange on 28 February 2005.

The Company did not trade during the period from 14 April 2004 (date of incorporation) to 31 December 2004. Its principal subsidiary is engaged in the manufacture and distribution of organic fertilizers.

The Group’s principal operations are conducted in The People’s Republic of China (the “PRC”). The unaudited results set out in this report have been prepared in Renminbi (“RMB”), being the reporting currency of the Group. The measurement currency of the Group is RMB in which the majority of the Group’s transactions are denominated.

The Group’s unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. They are prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2005 and 2004 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2004. The consolidated results are unaudited but have been reviewed by the Company’s audit committee in accordance with Rule 5.30 of the GEM Listing Rules.

## 2. REVENUE

The Group is engaged in the research and development, manufacture, sale and distribution of organic potash fertilisers. Revenue recognised during the three months ended 31 March 2005 are as follows:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2005</b>	2004
	<b>RMB</b>	<b>RMB</b>
Sales of		
General use fertilisers	<b>6,949,348</b>	10,390,123
Specific use fertilisers		
– for vegetable use	<b>4,994,674</b>	5,747,814
– for fruit use	<b>4,293,695</b>	2,361,826
– for tobacco use	<b>889,471</b>	2,153
– for cotton use	<b>112,484</b>	22,171
– for seeding use	<b>8,106,039</b>	2,973,091
– for garlic use	<b>63,908</b>	41,083
– for golden tree use	<b>137,074</b>	–
	<hr/> <b>25,546,693</b> <hr/>	<hr/> 21,538,262 <hr/>

No segment information is presented as research and development, manufacture, sale and distribution of organic fertilisers is the only reportable business segment of the Group and the operation are mainly carried out in the PRC. Accordingly, the Directors consider that there is only one business segment and one geographical segment.

## 3. INCOME TAX EXPENSES

Shaanxi Juchuan Fuwanjia Co., Ltd. (“Juchuan Fuwanjia”), a subsidiary of the Company, is regarded by the Xi’an Municipal Bureau of Science and Technology as a high technology enterprise located at the Shaanxi Xi’an Hi-tech Development Zone. Pursuant to relevant laws and regulations in the PRC, Juchuan Fuwanjia is exempted from income tax for the two years starting from their first production year followed by an income tax rate of 15% in the remaining years of operation. Therefore, as confirmed with the local tax bureau, Juchuan Fuwanjia was exempted from income tax for the first two years since its production commenced in 2000 and is subject to an income tax payable of 15% thereafter. Since the production period for 2000 was not more than six months, the commencement of exemption from income tax was extended to 2001.

On 26 March 2004, Juchuan Fuwanjia was reorganised into a PRC sino-foreign equity joint venture company and was entitled to an exemption from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years.



No provision of Hong Kong Profits Tax had been made for the year as the Company and its subsidiaries have no assessable profits arising in or deriving from Hong Kong.

There was no significant unprovided deferred taxation for the year or at the respective balance sheet dates.

#### 4. DIVIDENDS

No dividend has been paid or declared by the Group for the three months ended 31 March 2005 (2004: Nil).

#### 5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the net profit for the period and on weighted average of 80,000,000 (2004: 80,000,000) ordinary shares that have been in issue throughout the period on the assumption that the Group Reorganisation had been completed on 1 January 2004.

#### 6. SHARE CAPITAL AND RESERVES

For the purpose of the presentation of the accounts, the balance of the share capital shown in the unaudited consolidated balance sheets as at 31 March 2005 and 2004 respectively represented the share capital of the Company as if the Group Reorganisation, capitalisation issue and conversion issue had been completed as at the respective date.

	<i>Notes</i>	<b>Number of shares</b>	<b>Par value per share</b>	<b>Paid up amount</b>
Shares allotted and issued on 26 April 2004	<i>a, c</i>	10,000,000	HK\$0.01	HK\$100,000.00
Shares allotted and issued for acquisition of subsidiary	<i>b, c</i>	10,000,000	HK\$0.01	HK\$100,000.00
Capitalisation issue credited as fully paid conditional on share premium account of the Company as a result of the placing of the Company's share	<i>f</i>	22,965,716	HK\$0.01	HK\$229,657.16
Conversion issue	<i>d</i>	17,034,284	HK\$0.01	HK\$170,342.84
Issuance of shares on listing	<i>e</i>	20,000,000	HK\$0.01	HK\$200,000.00
Share capital as at 31 March 2005 and 2004		<u>80,000,000</u>	<u>HK\$0.01</u>	<u>800,000.00</u>

*Notes:*

- (a) The Company was incorporated in Bermuda on 14 April 2004 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each. On 26 April 2004, 1,000,000 shares of HK\$0.1 each were allotted and issued to Callaway Group Limited at par and nil paid. On 16 February 2005, every issued and unissued share of the Company was subdivided into 10 shares of HK\$0.01 each.
- (b) On 16 February 2005, the authorised share capital of the Company was increased from HK\$100,000 to HK\$50,000,000 by creation of additional 4,990,000,000 shares of HK\$0.01 each, which ranked pari passu with the existing shares in all respects.
- (c) On 16 February 2005, Callaway Group Limited and Legend Profit Holdings Limited transferred the entire shares of US\$1 each in the capital of Sungreen Investments Limited to the Company in consideration of, and in exchange for, the allotment and issue of 10,000,000 shares, credited as fully paid to Callaway Group Limited and Legend Profit Holdings Limited, and all 10,000,000 unpaid shares held by Callaway Group Limited credited as fully paid at par (see Note (a)).
- (d) On 28 February 2005, 17,034,284 shares to convertible note holders (as to 5,714,285 Shares to Ms. An Yu, as to 2,000,000 shares to Chung Fu (Hong Kong) Investment Limited, as to 1,866,666 shares to Future Finance Group Limited, as to 4,000,000 shares to Legend Profit Holdings Limited, as to 3,333,333 shares to Bright Process Technology Limited and as to 120,000 shares to Asia Trinity International Limited) upon the Conversion Issue.
- (e) On 28 February 2005, 20,000,000 ordinary shares of HK\$0.01 each were issued at HK\$2.5 each by way of placing offer, generating net cash proceeds of approximately HK\$50,000,000. The premium over the par value of the shares was credited to the share premium account.
- (f) Immediately after the placing and conversion issue mentioned in Note (d) above, share premium of HK\$229,657.16 was capitalised for the issuance of 22,965,716 shares of HK\$0.01 each on a pro-rata basis to shareholders of the Company at the close of the business on 21 February 2005.

## Reserves

	Share premium RMB	Capital reserve RMB	Statutory surplus reserve RMB	Statutory public welfare fund RMB	Special reserve RMB	Accumulated profits RMB	Total RMB
As at 1 January 2004	-	-	2,407,572	1,203,785	-	5,387,795	8,999,152
Profit for the year	-	-	-	-	-	7,845,059	7,845,059
Distribution in reorganisation	-	-	-	-	-	(4,157,005)	(4,157,005)
Appropriated from accumulated profits	-	-	1,002,580	501,290	74,420	(1,503,870)	74,420
As at 31 December 2004 and 1 January 2005	-	-	3,410,152	1,705,075	74,420	7,571,979	12,761,626
Arise upon conversion issue	28,418,236	-	-	-	-	-	28,418,236
Issuance of shares on listing	52,788,000	-	-	-	-	-	52,788,000
Capitalisation of amount due to shareholders	-	6,782,518	-	-	-	-	6,782,518
Amount utilised upon capitalisation issue	(243,436)	-	-	-	-	-	(243,436)
Share issuance cost	(11,950,497)	-	-	-	-	-	(11,950,497)
Profit for the period	-	-	-	-	-	1,998,419	1,998,419
Distribution in reorganisation	-	-	-	-	-	(203,732)	(203,732)
As at 31 March 2005	69,012,303	6,782,518	3,410,152	1,705,075	74,420	9,366,666	90,351,134



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial review**

The Group's unaudited consolidated turnover for the three months ended 31 March 2005 amounted to approximately RMB25.5 million, representing a growth of approximately 18.6% over the corresponding period in 2004.

Gross profit of the Group for the first quarter of 2005 was approximately RMB10.3 million, representing an increase of approximately 8% over the first three months in 2004. The Group's gross profit margin for the period was about 40.5%, whilst the Group's gross profit margin was approximately 44.5% for the same period in 2004. The decrease in the Group's gross profit margin for the three months ended 31 March 2005 was mainly attributable to the increase in the costs of raw materials.

Net profit of the Group for the first three months of 2005 amounted to approximately RMB2.0 million. Compared with the same period in 2004, the net profit of the Group increased by approximately 33.9%. The increase was mainly due to the higher turnover of the Group because of the growing demand for the Group's products.

### **Business review**

The overall business growth of the Group was satisfactory for the three months ended 31 March 2005. There was strong demand for our Fuwanjia Organic Potash Fertilizers during the period. During the first quarter of 2005, the Group continued to expand its sales network from 23 provinces/municipalities in 2004 to all provinces/municipalities except Tibet Autonomous Region of the PRC in the first quarter of 2005. In addition, the Group continued to maintain good relationships with its distributors so as to boost the sales of Fuwanjia Organic Potash Fertilizers. Both of these factors contribute to the higher turnover of the Group in the first three months of 2005.

### **Prospects**

The Group has a clear vision in the research and development, manufacture, sale and distribution of Fuwanjia Organic Potash Fertilizers in the near future. Looking forward, the Group will continue to capitalize on its strengths in its patented technology and extensive distribution networks in the PRC. Relying on the experience of its management and the team spirit of all the staff members of the Group, the Directors are confident that the Group's business will continue to prosper.

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

As at 31 March 2005, the interests of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as required to be notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### (a) Long positions in the shares of the Company

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total number of shares	Percentage of shareholding
Zhuo Ze Fan	-	-	34,905,059	-	34,905,059	43.63%
			(Note)			

*Note:* These shares are held by Callaway Group Limited which is beneficially owned as to 87.07% by Mr. Zhuo Ze Fan, 4.60% by Ms. Cui Yan Wen and 8.33% by True Assist Limited. Callaway Group Limited holds 34,905,059 shares of the Company as at 31 March 2005. The interests of Zhuo Ze Fan are accordingly "corporate interests" as described in Section 344 of the SFO.

### (b) Short positions in the shares of the Company

Nil.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2005, the register of substantial shareholders maintained by the Company under Section 336 of the SFO shows that the following persons had interests or long positions in the shares of the Company.

Name of substantial shareholder	Number of shares	Percentage of shareholding (%)
Callaway Group Limited	34,905,059	43.63
Mr. Zhuo Ze Fan ( <i>Note 1</i> )	34,905,059	43.63
Ms. Cui Yan Wen ( <i>Note 1</i> )	34,905,059	43.63
Legend Profit Holdings Limited	11,948,657	14.94
Wonder Opportunity Limited ( <i>Note 2</i> )	11,948,657	14.94
Mr. Wang Wen Ming ( <i>Note 2</i> )	11,948,657	14.94
Ms. Chen Dong Jin ( <i>Note 2</i> )	11,948,657	14.94
Stichting Shell Pensioenfonds	6,000,000	7.50
Ms. An Yu	5,714,285	7.14
SW Kingsway Capital Holdings Limited ( <i>Note 3</i> )	5,199,999	6.50
World Developments Limited ( <i>Note 4</i> )	5,199,999	6.50
Innovative Assets Limited ( <i>Note 5</i> )	5,199,999	6.50
Kingsway International Holdings Limited ( <i>Note 6</i> )	5,199,999	6.50
Mr. Lam Ka Chung William ( <i>Note 7</i> )	5,199,999	6.50
Ms. Lam Wong Yuk Sin Mary ( <i>Note 7</i> )	5,199,999	6.50
Mr. Choi Koon Shum Jonathan ( <i>Note 8</i> )	5,199,999	6.50
Ms. Kwan Wing Kum Janice ( <i>Note 9</i> )	5,199,999	6.50

### Notes:

- Callaway Group Limited is beneficially owned as to 87.07% by Mr. Zhuo Ze Fan, 4.60% by Ms. Cui Yan Wen and 8.33% by True Assist Limited. Mr. Zhuo Ze Fan is an executive director of the Company and chairman of the Company and the spouse of Ms. Cui Yan Wen. True Assist Limited is beneficially owned as to 50% by Ms. Chen Dong Jin, 30% by Mr. Wang Wen Ming and 20% by Mr. Wu Jing Jin. Mr. Wang Wen Ming is the director of Best Era Assets Limited, an indirect wholly-owned subsidiary of the Company. Ms. Chen Dong Jin is the spouse of Mr. Wang Wen Ming. Mr. Wu Jing Jin is a non-executive director of the Company.
- Legend Profit Holdings Limited is beneficially owned by Wonder Opportunity Limited. Wonder Opportunity Limited is beneficially owned as to 59% by Mr. Wang Wen Ming, 30% by Mr. Wu Jing Jin and 11% by Mr. Zhang Xin Li.

3. Bright Process Technology Limited and Kingsway SW Finance Limited are interested in 3,333,333 Shares and 1,866,666 Shares, respectively. Bright Process Technology Limited is owned by Festival Developments Limited, while Kingsway SW Finance Limited is owned by SW Kingsway Capital Group Limited. Both Festival Developments Limited and SW Kingsway Capital Group Limited are owned by SW Kingsway Capital Holdings Limited.
4. World Developments Limited holds 74% of interest in SW Kingsway Capital Holdings Limited.
5. World Developments Limited is owned by Innovative Assets Limited.
6. Innovative Assets Limited is owned by Kingsway International Holdings Limited.
7. Mr. Lam Ka Chung William (“Mr. Lam”) and his spouse, Ms. Lam Wong Yuk Sin Mary (“Mrs. Lam”), beneficially own or control 32,432,317 common shares (approximately 41%) of the issued share capital of Kingsway International Holdings Limited (“Kingsway International”) and are deemed (by virtue of the SFO) to be interested in the shares in, or debenture of, the subsidiaries of Kingsway International.

Of the above 32,432,317 common shares, 9,726,750 common shares are held directly by Mr. Lam, 10,515,060 common shares are held by Dynasty International Holdings Limited, 9,790,507 common shares are held directly by Mrs. Lam and 2,400,000 common shares are held by Abundant World Limited.

Dynasty International Holdings Limited is a wholly owned subsidiary of Global Fame Limited. Global Fame Limited is wholly owned by The WKC Lam Family Trust which is a discretionary trust with Mr. Lam and his two children as the beneficiaries. On 29 June 2004, Mrs. Lam was appointed as a trustee of The WKC Lam Family Trust. By virtue of the SFO, Mrs. Lam is deemed to be interested in the common shares of Kingsway International held by Dynasty International Holdings Limited.

Abundant World Limited is wholly owned by The Mary Lam Family Trust which is a discretionary trust with Mrs. Lam and her two children as the beneficiaries. Mr. Lam is a trustee of The Mary Lam Family Trust. By virtue of the SFO, Mr. Lam is deemed to be interested in the common shares of Kingsway International held by Abundant World Limited.

By virtue of the SFO, Mr. Lam is deemed to be interested in the common shares of Kingsway International which are held, owned, controlled or deemed to be interested in by Mrs. Lam.

8. Mr. Choi Koon Shum Jonathan (“Mr. Choi”) beneficially owns or controls 36,929,651 shares (approximately 46%) of the issued share capital of Kingsway International and was deemed (by virtue of the SFO) to be interested in the shares in, or debenture of the subsidiaries of Kingsway International under the SFO.

Of the above 36,929,651 shares, 10,101,596 common shares of Kingsway International are held by Mr. Choi as personal interest and 12,750,000 and 14,078,055 common shares of Kingsway International are held by Sun Wah Capital Limited and Scarlet Red Limited respectively as corporate interest. In other words, Mr. Choi personally holds approximately 13% of Kingsway International and has corporate interest of approximately 16% and 17% of Kingsway International through Sun Wah Capital Limited and Scarlet Red Limited respectively.

9. Ms. Kwan Wing Kum Janice is the spouse of Mr. Choi.

### **COMPETING INTERESTS**

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

### **COMPLIANCE ADVISER’S INTERESTS**

As at 31 March 2005, neither Hantec Capital Limited (the “Compliance Adviser”) nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the agreement dated 21 February 2005 entered into between the Company and the Compliance Adviser, the Compliance Adviser received and shall receive an annual fee for acting as the Company’s Compliance Adviser for the period commencing from (and including) the date of commencement of dealings in the Shares on GEM (the “Listing Date”) and ending on (and including) the last day of the second full (and not part thereof) financial year after the Listing Date.

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the period under review, except that the non-executive directors of the Company are not appointed for specific terms and are subject to rotation at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

## **AUDIT COMMITTEE**

The Company established an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides a link between the Board of Directors and the Company's auditors in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Zhao Shou Guo, Mr. Yam Tak Fai, Ronald and Mr. Ng Tang.

The Group's unaudited consolidated results for the three months ended 31 March 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

On behalf of the Board  
**Sungreen International Holdings Limited**  
**Zhuo Ze Fan**  
*Chairman*

Xi'an City, Shaanxi Province, the People's Republic of China, 9 May 2005