



SunGreen

Interim 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”)

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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

- Achieved a turnover of approximately RMB70.4 million for the six months ended 30 June 2005, representing an approximately 12% increase as compared with that of the corresponding period in 2004.
- Profit of the Group attributable to equity holders of the parent for the six months ended 30 June 2005 amounted to approximately RMB6.3 million, representing an increase of approximately 5.4% over the corresponding period in 2004.
- The Directors do not recommend an interim dividend for the six months ended 30 June 2005.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

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 six months ended 30 June 2005, together with the comparative figures for the corresponding period in 2004 as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2005 RMB (unaudited)	2004 RMB (unaudited)	2005 RMB (unaudited)	2004 RMB (unaudited)
Revenue	3	70,372,161	62,794,946	44,825,468	41,256,684
Cost of sales		(41,504,598)	(36,417,904)	(26,305,294)	(24,460,885)
Gross profit		28,867,563	26,377,042	18,520,174	16,795,799
Other operating income		326,525	487,858	298,472	426,637
Selling and distribution costs		(9,803,401)	(11,666,812)	(6,606,943)	(6,802,248)
Administrative expenses		(6,545,889)	(4,233,647)	(3,412,018)	(2,845,469)
Other operating expenses		(53,605)	(2,520)	(51,413)	(2,520)
Profit from operations	4	12,791,193	10,961,921	8,748,272	7,572,199
Finance costs		(1,854,060)	(1,782,103)	(1,234,638)	(688,849)
Profit before tax		10,937,133	9,179,818	7,513,634	6,883,350
Income tax expenses	5	–	–	–	–
Profit for the period		10,937,133	9,179,818	7,513,634	6,883,350
Attributable to:					
Equity holders of the parent		6,269,100	5,950,484	4,270,681	4,457,763
Minority interest		4,668,033	3,229,334	3,242,953	2,425,587
		10,937,133	9,179,818	7,513,634	6,883,350
Dividends	6	–	–	–	–
Earnings per share, basic (cents)	7	7.84	7.44	5.34	5.57

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2005 RMB (unaudited)	As at 31 December 2004 RMB (audited)
NON-CURRENT ASSETS			
Intangible assets		2,983,333	3,405,833
Property, plant and equipment	8	61,717,587	63,965,101
		64,700,920	67,370,934
CURRENT ASSETS			
Inventories		12,018,245	8,404,815
Trade receivables	9	41,442,264	28,349,327
Other receivables and prepayments		12,604,105	13,837,072
Financial assets at fair value through profit and loss		600,000	600,000
Amount due from a director		–	6,000
Bank balances and cash		59,880,806	46,166,867
		126,545,420	97,364,081
CURRENT LIABILITIES			
Trade payables	10	933,105	441,250
Other payables and accrued charges		5,999,982	6,750,727
Amounts due to related companies		–	5,110,037
Dividend payable to the shareholders of a subsidiary		17,225,492	17,225,492
Bank borrowings – due within one year	11	40,000,000	40,000,000
Convertible notes – due within one year		–	28,598,800
		64,158,579	98,126,306
NET CURRENT ASSETS/(LIABILITIES)		62,386,841	(762,225)
TOTAL ASSETS LESS CURRENT LIABILITIES		127,087,761	66,608,709
CAPITAL AND RESERVES			
Share capital	12	848,000	8,268
Reserves		94,515,431	12,761,626
Equity attributable to equity holders of the parent		95,363,431	12,769,894
MINORITY INTERESTS		31,724,330	27,056,297
TOTAL EQUITY		127,087,761	39,826,191
NON-CURRENT LIABILITIES			
Amount due to a shareholder		–	6,782,518
Bank borrowings – due after one year	11	–	20,000,000
		–	26,782,518
		127,087,761	66,608,709

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent									
	Share capital	Share premium	Capital reserve	Statutory		Special reserve	Accumulated profits	Total	Minority interests	Total
				surplus reserve	public welfare fund					
				RMB	RMB					
As at 1 January 2004	32,500,000	-	-	2,407,572	1,203,785	-	5,387,795	41,499,152	22,345,698	63,844,850
Distribution in reorganisation	(32,500,000)	-	-	-	-	-	(4,157,005)	(36,657,005)	-	(36,657,005)
Issue on incorporation	82,688	-	-	-	-	-	-	82,688	-	82,688
Arising in reorganisation	(74,420)	-	-	-	-	74,420	-	-	-	-
Profit for the period	-	-	-	-	-	-	5,950,484	5,950,484	3,229,334	9,179,818
At 30 June 2004	8,268	-	-	2,407,572	1,203,785	74,420	7,181,274	10,875,319	25,575,032	36,450,351
Profit for the period	-	-	-	-	-	-	1,894,575	1,894,575	1,481,265	3,375,840
Appropriated from accumulated profits	-	-	-	1,002,580	501,290	-	(1,503,870)	-	-	-
As at 31 December 2004 and 1 January 2005	8,268	-	-	3,410,152	1,705,075	74,420	7,571,979	12,769,894	27,056,297	39,826,191
Distribution in reorganisation	(8,268)	-	-	-	-	-	-	(8,268)	-	(8,268)
Arising on reorganisation	212,000	-	-	-	-	(203,732)	-	8,268	-	8,268
Arise upon conversion issue	180,564	28,418,236	-	-	-	-	-	28,598,800	-	28,598,800
Issuance of shares on listing	212,000	52,788,000	-	-	-	-	-	53,000,000	-	53,000,000
Capitalisation of amount due to a shareholder	-	-	6,782,518	-	-	-	-	6,782,518	-	6,782,518
Amount utilised upon capitalisation issue	243,436	(243,436)	-	-	-	-	-	-	-	-
Share issuance cost	-	(12,056,881)	-	-	-	-	-	(12,056,881)	-	(12,056,881)
Profit for the period	-	-	-	-	-	-	6,269,100	6,269,100	4,668,033	10,937,133
As at 30 June 2005	848,000	68,905,919	6,782,518	3,410,152	1,705,075	(129,312)	13,841,079	95,363,431	31,724,330	127,087,761

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005 RMB (unaudited)	2004 RMB (unaudited)
Net cash (outflow)/inflow from operating activities	(4,328,165)	4,676,890
Net cash (outflow)/inflow from investing activities	(2,901,015)	1,059,284
Net cash inflow from financing activities	20,943,119	5,845,607
Net increase in cash and cash equivalents	13,713,939	11,581,781
Cash and cash equivalents at the beginning of the period	46,166,867	10,325,796
Cash and cash equivalents at the end of the period, representing bank balances and cash	59,880,806	21,907,577

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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (IAS34) *Interim Financial Reporting* and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules. Principal accounting policies adopted in these financial statements are the same as those adopted in preparing the 2004 annual financial statements.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

3. REVENUE

The Group is engaged in the research and development, manufacture, sale and distribution of organic potash fertilisers. Revenue recognised during the three months and six months ended 30 June 2005 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2005 RMB (unaudited)	2004 RMB (unaudited)	2005 RMB (unaudited)	2004 RMB (unaudited)
Sales of				
General use fertilisers	15,979,926	23,165,001	9,030,578	12,774,878
Specific use fertilisers				
– for vegetable use	17,023,579	12,155,273	12,028,905	6,407,459
– for fruit use	20,879,772	10,078,174	16,586,077	7,716,348
– for tobacco use	3,503,493	2,864,898	2,614,022	2,862,745
– for cotton use	2,714,997	6,709,851	2,602,513	6,687,680
– for seeding use	9,696,738	7,725,795	1,590,699	4,752,706
– for garlic use	81,813	95,954	17,905	54,868
– for golden tree use	330,550	–	193,476	–
– for yellow melon use	161,293	–	161,293	–
	70,372,161	62,794,946	44,825,468	41,256,684

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

4. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	Six months ended 30 June		Three months ended 30 June	
	2005 <i>RMB</i> (unaudited)	2004 <i>RMB</i> (unaudited)	2005 <i>RMB</i> (unaudited)	2004 <i>RMB</i> (unaudited)
Amortisation of intangible assets	422,500	422,500	211,250	211,250
Depreciation of property, plant and equipment	3,434,498	2,878,259	1,850,371	1,449,322
	<u>3,856,998</u>	<u>3,300,759</u>	<u>2,061,621</u>	<u>1,660,572</u>

5. 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.

6. DIVIDENDS

No dividend has been paid or declared by the Group for the six months ended 30 June 2005 (2004: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and six months ended 30 June 2005 is based on the profit attributable to equity holders of the parent of RMB4,270,681 and RMB6,269,100 respectively (profit for the three months and six months ended 30 June 2004: RMB4,457,763 and RMB5,950,484 respectively) 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.

Diluted earnings per share has not been presented as there is no dilutive potential ordinary share in existence during the period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months period, the Group acquired approximately RMB1,374,000 property, plant and equipment for group expansion.

9. TRADE RECEIVABLES

The Group allows a credit period from 30 days to 180 days to its trade customers. However, for certain customers with long established relationship and good past payment histories, a longer credit period may be granted. The aged analysis of trade receivables is as follows:

	As at 30 June 2005 RMB (unaudited)	As at 31 December 2004 RMB (audited)
Aged:		
0-60 days	27,276,374	10,655,096
61-120 days	9,429,327	11,689,042
121-180 days	6,550,474	6,997,797
181-365 days	561,874	582,342
Over 365 days	42,424	3,661
	43,860,473	29,927,938
Less: Allowances for bad and doubtful debts	(2,418,209)	(1,578,611)
	41,442,264	28,349,327

10. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	As at 30 June 2005 RMB (unaudited)	As at 31 December 2004 RMB (audited)
Aged:		
0-90 days	922,762	432,620
91-180 days	–	–
181-365 days	10,343	8,630
	933,105	441,250

11. BORROWINGS

During the period, the Group had repaid bank loans of RMB20,000,000. At 30 June 2005, the Group had outstanding bank loans of RMB40,000,000.

12. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Par value per share	Amount
Authorised:				
On date of incorporation	<i>a</i>	1,000,000	HK\$0.1	100,000
Effect of sub-division of shares of HK\$0.1 each into 10 shares of HK\$0.01 each	<i>a</i>	9,000,000	HK\$0.01	–
Share capital after sub-division		10,000,000	HK\$0.01	100,000
Increase on 16 February 2005 pursuant to the Group Reorganisation	<i>b</i>	4,990,000,000	HK\$0.01	49,900,000
		5,000,000,000	HK\$0.01	50,000,000
Issued:				
Being nil paid shares allotted and issued on 26 April 2004	<i>a</i>	1,000,000	HK\$0.1	–
Effect of sub-division of shares of HK\$0.1 each into 10 shares of HK\$0.01 each	<i>a</i>	9,000,000	HK\$0.01	–
Share capital after sub-division		10,000,000	HK\$0.01	–
Credit the 10,000,000 ordinary shares issued nil paid as consideration for acquisition of subsidiary	<i>c</i>	–	–	HK\$100,000.00
Shares allotted and issued for acquisition of subsidiary	<i>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 30 June 2005		80,000,000	HK\$0.01	HK\$800,000.00
				RMB848,000.00

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.
- (g) At 31 December 2004, the amount represented the combination of the issued and fully paid up share capital of the Company and Sungreen Investment Limited, as Best Era Assets Limited, Sungreen Agro Strategic Holdings Limited and Shaanxi Juchuan Fuwanjia Co., Ltd. became subsidiaries of the Sungreen Investment Limited.

13. CAPITAL COMMITMENTS

	As at 30 June 2005 RMB (unaudited)	As at 31 December 2004 RMB (audited)
Capital expenditure authorised but not contracted for in respect of development project of additional plant and machinery for the expansion in the production capacity	32,740,000	34,530,000

14. CONTINGENT LIABILITIES

	As at 30 June 2005 RMB (unaudited)	As at 31 December 2004 RMB (audited)
Guarantees given to banks in respect of general banking facilities granted to third parties	10,000,000	10,000,000

15. PLEDGE OF ASSETS

As at 30 June 2005, the Group has pledged its land and buildings of approximately RMB13,044,000 (2004: RMB13,182,000) for the banking facilities granted by the banks to the Group.

16. SUBSEQUENT EVENTS

There have been no material events which took place subsequent to 30 June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover of the Group for the six months ended 30 June 2005 amounted to approximately RMB70,372,000, representing an increase of approximately 12% compared with that of the corresponding period in 2004. The increase was mainly attributable to the continued rise in demand for our Fuwanjia Organic Potash Fertilizers during the period. The Group's gross profit margin maintained at about 41%.

Selling and distribution costs

Selling and distribution costs amounted to approximately RMB9,803,000, representing a decrease of approximately 16% from the corresponding period in 2004. The decrease was a combined result of management efficiency and effective cost control on distribution cost.

Administrative expenses

Administrative expenses amounted to approximately RMB6,546,000, representing an increase of approximately 55% from the corresponding period in 2004. Such increase was mainly due to the increase in administrative expenses at the Group's Hong Kong office following the listing of the Company's shares on GEM.

Profit for the period

Profit for the period ended 30 June 2005 of the Group amounted to approximately RMB6,269,000, representing an increase of approximately 5.4% compared with that of the corresponding period in 2004. The increase was primarily due to the increase in turnover of the Group.

Liquidity and financial resources

The shares of the Company was successfully listed on GEM on 28 February 2005 and raised net proceeds of approximately RMB40,000,000. As at 30 June 2005, the Group had cash and bank balance of approximately RMB59,881,000, representing approximately 47% of its current assets and 31% of its total assets. During the period under review, the Group had repaid RMB20,000,000 bank loans and remained total bank borrowings of RMB40,000,000 at 30 June 2005. These borrowings are mainly used for the Group's daily operation and capital expenditure.

As at 30 June, 2005, the Group improved its current ratio and gearing ratio. For current ratio, the Group had an improved current ratio of approximately 2.0, compared with approximately 1.0 at 31 December 2004. For gearing ratio, expressing as total liabilities over total assets of the Group, it dropped significantly from approximately 75.82% as at 31 December 2004 to 33.55% as at 30 June 2005.

The directors are of the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Business review

For the six months ended 30 June 2005, the overall business development of the Group was satisfactory with good results. Turnover of the Group increased by approximately 12% compared with that of the corresponding period on 2004, which was attributable to the successful expansion of PRC sales network and continuous development of specific use organic potash fertilizers. Also, continuous increase of product recognition through extensive advertisement on variety mass media and holding field demonstration contributed part of the increase.

For PRC sales network expansion, during the period under review, the Group successfully established 95 distributors in 25 province/autonomous region as at 30 June 2005 whereas the Group established 55 distributors in 17 province/autonomous region at 31 December, 2004.

In the development of product, the Group continuously pursuant in research and development of fertilizers during the period and successfully launched two specific use organic potash fertilizers, named “golden tree” and “yellow melon”. During the product promotion, the Group continuously focused on selling specific use fertilizers which are more effective for specific agriculture. The turnover participation of specific use fertilizers to the Group’s total turnover increased from approximately 63% of the corresponding period in 2004 to approximately 77% for the period under review.

In marketing, the Group continuously promotes the brand name of “Fuwanjia” through television, radio broadcast, mass transportation, public place and holding field demonstration to end users. The enhancement of brand name recognition increases the number of re-purchase from existing customers.

Prospect

While maintaining existing PRC sales network, the Group will continue to pursue its existing sales policy of “direct sales to large-scale farm operators and indirect sales to individual farmers through distributors” by identifying additional distributors to expand its market coverage in PRC. In addition to PRC market, the Group is conducting market studies for Asia Pacific Region in order to develop new market segment. For product development, the Group is investing in research and development in organic compound fertilizers and specific use fertilizer for herbal use. We believe that these new products and new market segment in Asia Pacific Region will be one of the growth drivers for the Group in the next few years.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the Group's actual business progress to date compared with the business objectives set out in the Company's prospectus dated 21 February 2005 (the Prospectus) for the six months period ended 30 June 2005.

Business objectives as disclosed in the Prospectus

Actual business progress

To expand business into the Asia Pacific region

To conduct market studies and sign up distributors in Malaysia, with a focus on vegetable- and fruit-used fertilisers for its tropical fruits and vegetables

Appointed an experienced consultancy company in development business of Asia Pacific region. Market studies are conducting in progress

To conduct market studies and sign up distributors in Indonesia

Appointed an experienced consultancy company in development business of Asia Pacific region. Market studies are conducting in progress

To engage one sales staff in the Company's headquarters to coordinate overseas related business and services (including market information, market development, local distributor training, and product explanation)

Engaged one staff to work closely with the appointed consultancy company

To expand the PRC sales network

To appoint distributors in six more provinces and autonomous regions of the PRC, for sales and services to individual farmers in the respective provision/autonomous region

Appointed distributors in eight more provinces and autonomous regions of the PRC and the total PRC sales network reached 25 provinces and autonomous region

To engage two additional personnel in the industry development division to handle sales and services to large-scale farm operators

Two additional personnel have been engaged as planned

**Business objectives
as disclosed in the Prospectus**

Actual business progress

To enhance its research and development capability

To conduct and complete feasibility study of organic compound fertilisers

Feasibility study is conducting and organic compound fertilisers is under testing

To complete feasibility study specific use fertiliser for herbal use, a new type of Fuwanjia Organic Potash Fertilisers

Feasibility study is conducting and specific use fertiliser for herbal use is under testing

To review the effectiveness and efficiency of the Group's existing products, and to make technical adjustments if necessary

Review has been conducted and necessary adjustment has been made

To set up a new production plant on the Second Yang Ling Site

To conduct feasibility study of the construction of new production plant on the Second Yang Ling Site

Feasibility study has been conducted and reached final stage. Foundation work on the site had been started

To submit preliminary design and layout plans to the relevant authorities for approval

Preliminary design and layout plans have been submitted

To enhance its brand name recognition

To advertise on television, radio broadcast, mass transportation and public place

Advertisement has been conducted as planned

To hold field demonstrations, in order to collect direct feedbacks from end users and incorporate brand names into end users

Field demonstrations have been held as planned

To increase its production output

Expecting to increase the production output on the Yang Ling Site

Production output was increased in line with sales

To maintain the production output of organic acid on the Baoji Site

Production output of organic acid had been maintained

On the date of commencement of dealings in the Shares on GEM (the “Listing Date”), the Company obtained net proceeds, after deducting all relevant expenses, of approximately HK\$38 million from the new issue of shares by way of public offer and placing. Up to 30 June 2005, the Group has applied the net proceeds as follows:

Business objectives	Planned uses of proceeds as set out in the Prospectus (HK\$ million)	Actual amount of proceeds used up to 30 June 2005 (HK\$ million)
To expand business into the Asia Pacific region	1.2	1.8
To expand the PRC sales network	1.9	2.2
To enhance research and development capability	3.0	1.1
To set up a new production plant on the Second Yang Ling Site	–	1.7
To enhance its brand name recognition	4.0	3.6
To strengthen the management team and international marketing team	1.0	0.2
To increase production output	1.0	2.0
	<hr/>	<hr/>
Total	12.1	12.6
	<hr/>	<hr/>

The remaining net proceeds as at 30 June 2005 have been placed as short-term interest bearing deposit with banks in Hong Kong and/or the PRC.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 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 OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2005, the following persons or companies (other than the directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO, and were directly or indirectly, interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances as general meeting of any other members of the Group were as follows:

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:

1. 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.

2. 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.

The Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2005.

FOREIGN EXCHANGE EXPOSURE

Since most of the income and expense as well as assets and liabilities of the Group are denominated in Renminbi, the Directors consider the Group has no material foreign exchange exposure.

SHARE OPTION SCHEME

The Company has adopted a share option scheme. A summary of the principal terms and conditions of the share option scheme is set out in note 8 to the 2004 annual financial statements. Up to 30 June 2005, no option has been granted pursuant to such share option scheme.

COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June, 2005, the Group had approximately 240 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to society security scheme of the PRC and the contributions to the Mandatory Providers Fund Scheme of Hong kong. The Group remunerated its employees in accordance with their work performance and experience.

COMPLIANCE ADVISER'S INTERESTS

As at 30 June 2005, neither Hantec Capital Limited (the "Compliance Adviser") nor its directors or employees or associates 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 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.

PLEDGE OF ASSETS

At 30 June 2005, the Group has pledged its land and buildings of approximately RMB13,044,000 for the banking facilities granted by the banks of the Group.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2005 with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules. Also, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors had complied with the required standard of dealings and its code of conduct regarding directors' securities transactions.

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.

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 members of 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 six months ended 30 June 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,
10 August 2005