



**SunGreen**

First Quarterly Report **2007**



**Sungreen International Holdings Limited**  
**綠陽國際控股有限公司**

(Incorporated in Bermuda with limited liability)  
(Stock Code: 8306)

## **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.**

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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

- Profit for the period attributable to equity holders of the Company for the three months ended 31 March 2007 amounted to approximately RMB2.9 million, representing an increase of approximately 21.5% over the corresponding period in 2006.
- The Directors do not recommend an interim dividend for the three months ended 31 March 2007.

## **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 2007, together with the comparative figures for the corresponding period in 2006 as follows:

		<b>Three months ended 31 March</b>	
		<b>2007</b>	2006
	<i>Notes</i>	<b>RMB</b>	<i>RMB</i>
Revenue	2	<b>35,802,486</b>	37,763,564
Cost of sales		<b>(23,571,990)</b>	(23,303,541)
Gross profit		<b>12,230,496</b>	14,460,023
Other operating income		<b>5,093,688</b>	2,291,201
Selling and distribution costs		<b>(7,808,981)</b>	(9,024,326)
Administrative expenses		<b>(3,438,186)</b>	(2,600,481)
Profit from operations		<b>6,077,017</b>	5,126,417
Finance costs		<b>(582,525)</b>	(501,885)
Profit before tax		<b>5,494,492</b>	4,624,532
Income tax expenses	3	<b>(599,335)</b>	(353,000)
Profit for the period		<b>4,895,157</b>	4,271,532
Attributable to:			
Equity holders of the Company		<b>2,944,857</b>	2,423,121
Minority interests		<b>1,950,300</b>	1,848,411
		<b>4,895,157</b>	4,271,532
Dividends	4	<b>Nil</b>	Nil
Earnings per share, basic (cents)	5	<b>3.68</b>	3.03

Notes:

## 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated in Bermuda on 14 April 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares are listed on the GEM with effect from 28 February 2005 (the "Listing Date").

The Directors consider that the Company's parent and ultimate holding company is Callaway Group Limited, a company incorporated in British Virgin Islands.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

The Company is an investment holding company. Its principal subsidiary is engaged in the manufacture and distribution of organic potash fertilizers products.

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2007 is consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. The consolidated results for the three months ended 31 March 2007 are unaudited but have been reviewed by the Company's audit committee.

## 2. REVENUE

The Group is engaged in the research and development, manufacture, sale and distribution of organic potash fertilizers. Revenue recognised during the three months ended 31 March 2007 are as follows:

	Three months ended 31 March	
	2007	2006
	RMB	RMB
Sales of		
General use fertilisers	11,993,135	11,334,802
Specific use fertilisers		
— for vegetable use	10,819,940	13,536,548
— for fruit use	6,899,204	4,872,310
— for tobacco use	964,124	902,642
— for cotton use	2,890,221	861,335
— for seeding use	1,725,857	4,924,528
— for garlic use	139,557	152,330
— for golden tree use	370,448	488,833
— for golden vegetable use	—	14,717
— for banana use	—	64,755
— for ramie use	—	175,094
— for golden orange use	—	258,113
— for watermelon use	—	177,557
	<b>35,802,486</b>	<b>37,763,564</b>

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#### **2. REVENUE (Continued)**

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 operations are mainly carried out in The People's Republic of China (the "PRC"). Accordingly, the Directors consider that there is only one business segment and one geographical segment.

#### **3. INCOME TAX EXPENSES**

The amounts represented provision for the PRC Enterprise Income Tax ("EIT") on the Group's estimated assessable profit for the three months ended 31 March 2007 and 2006.

Upon the reorganisation of Shaanxi Juchuan Fuwanjia Co., Ltd. ("Juchuan Fuwanjia"), a subsidiary established in the PRC, into a PRC sino-foreign equity joint venture company on 26 March 2004, it was entitled to an exemption from PRC EIT payable of 15% for two years commencing from its first profit-making year of operation, followed by a 50% relief from the PRC EIT for the next three years. Juchuan Fuwanjia has no assessable profits for the period from 1 January 2004 to 26 March 2004.

No provision of Hong Kong Profits Tax had been made for the period 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 period 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 2007 (2006: Nil).

#### **5. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the period is based on the profit attributable to the equity holders of the Company for the period and on weighted average number of 80,000,000 (2006: 80,000,000) ordinary shares of the Company. No diluted earnings per share have been presented because there is no potential ordinary share outstanding during either period.

## 6. SHARE CAPITAL AND RESERVES

	For the period ended 31 March 2007									
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Special reserve	Retained profits	Total	Minority interests	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
As at 1 January 2006	848,000	77,200,638	6,782,518	6,868,067	(885,884)	(129,312)	6,587,890	97,271,917	33,959,293	131,231,210
Profit for the period	—	—	—	—	—	—	2,423,121	2,423,121	1,848,411	4,271,532
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(3,581)	—	—	(3,581)	—	(3,581)
<b>As at 31 March 2006</b>	<b>848,000</b>	<b>77,200,638</b>	<b>6,782,518</b>	<b>6,868,067</b>	<b>(889,465)</b>	<b>(129,312)</b>	<b>9,011,011</b>	<b>99,691,457</b>	<b>35,807,704</b>	<b>135,499,161</b>
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(54,364)	—	—	(54,364)	—	(54,364)
Appropriated from retained profits	—	—	—	867,598	—	—	(867,598)	—	—	—
Profit for the period	—	—	—	—	—	—	5,491,984	5,491,984	4,480,766	9,972,750
<b>As at 31 December 2006</b>	<b>848,000</b>	<b>77,200,638</b>	<b>6,782,518</b>	<b>7,735,665</b>	<b>(943,829)</b>	<b>(129,312)</b>	<b>13,635,397</b>	<b>105,129,077</b>	<b>40,288,470</b>	<b>145,417,547</b>
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	1,751	—	—	1,751	—	1,751
Profit for the period	—	—	—	—	—	—	2,944,857	2,944,857	1,950,300	4,895,157
<b>As at 31 March 2007</b>	<b>848,000</b>	<b>77,200,638</b>	<b>6,782,518</b>	<b>7,735,665</b>	<b>(942,078)</b>	<b>(129,312)</b>	<b>16,580,254</b>	<b>108,075,685</b>	<b>42,238,770</b>	<b>150,314,455</b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The Group's unaudited consolidated turnover for the three months ended 31 March 2007 amounted to approximately RMB35.8 million, representing a slight decrease of 5.2% over the corresponding period in 2006. The decrease was mainly due to increase of refundable value added tax rate from 6% to 13% at the end of 2006. Although the value added tax is refundable and has no effect on the Group's profit, it reduced the growth of turnover and gross profit but increased the other operating income of the Group.

If no value added tax was imposed for the two years ended 2007 and 2006, the Group's unaudited consolidated turnover for the first quarter of 2007 and 2006 would be approximately RMB40.6 million and RMB40.0 million respectively. A slight growth in turnover of approximately 1.5% would then be recorded in the first quarter of 2007 comparing with the corresponding period in 2006.

Gross profit of the Group for the first quarter of 2007 was approximately RMB12.2 million, representing a decrease of approximately 15.4% over the first three months in 2006. The Group's gross profit margin for the first quarter of 2007 was approximately 34.2%, whilst the Group's gross profit margin was approximately 38.3% for the same period in 2006.

The gross profit and gross profit margin are also affected by the value added tax. If no value added tax was imposed for the two years ended 2007 and 2006, the Group's gross profit for the first quarter of 2007 and 2006 would be approximately RMB17.0 million and RMB16.7 million respectively whereas the gross profit margin would be approximately 41.9% and 41.7% respectively. A growth in gross profit of approximately 2.0% would then be recorded in the first quarter of 2007 comparing with the corresponding period in 2006 with no material change in gross profit margin between two years.

Profit attributable to the equity holders of the Company for the three months ended 31 March 2007 amounted to approximately RMB2.9 million, representing a growth of approximately 21.5% over the corresponding period in 2006. The increase was mainly due to the slight growth in turnover excluding the value added tax effect and decrease in selling and distribution cost of the Group.



## **Business Review**

The overall business growth of the Group was satisfactory for the three months ended 31 March 2007. Due to the continuous growth in the PRC sales network, the Group recorded a slight growth in turnover excluding the value added tax effect. In addition to the cost control in selling and distribution cost, the Group recorded a growth of approximately 21.5% in profit attributable to the equity holders of the Company during the three months ended 31 March 2007 comparing with the same period in 2006.

## **Prospect**

In the coming future, the Group will keep expanding its sales network in the PRC and its brand name recognition. Also, the Group will keep searching overseas business opportunities and expanding its product range in order to upkeep the growth in the Group's turnover.



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

As at 31 March 2007, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV 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:

### Long positions in the shares of the Company (the "Shares")

Name of Director	Capacity	Number of Shares	Percentage of shareholding (%)
Zhuo Ze Fan	Held by controlled corporation ( <i>Note</i> )	34,905,059	43.63
Wu Jing Jin	Beneficial owner	3,544,597	4.43

*Note:* These Shares were held by Callaway Group Limited which was 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 held 34,905,059 Shares on the Listing Date and up to 31 March 2007. By virtue of the SFO, Mr. Zhuo was deemed to be interested in the Shares held by Callaway Group Limited.

Save as disclosed herein, as at 31 March 2007, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required to notify the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2007, the following persons or companies (other than the directors or chief executive of the Company) had an interest or short position in the shares and 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:

Name of substantial shareholder	Capacity	Number of Shares	Percentage of shareholding (%)
Callaway Group Limited	Beneficial owner	34,905,059	43.63
Ms. Cui Yan Wen ( <i>Note 1</i> )	Held by spouse	34,905,059	43.63
Mr. Wang Wen Ming	Beneficial owner	8,404,060	10.51
Ms. Chen Dong Jin ( <i>Note 2</i> )	Held by spouse	8,404,060	10.51
Stichting Shell Pensioenfond	Investment manager	6,000,000	7.50
Ms. An Yu	Beneficial owner	5,714,285	7.14
SW Kingsway Capital Holdings Limited ( <i>Note 3</i> )	Held by controlled corporation	5,199,999	6.50
World Developments Limited ( <i>Note 4</i> )	Held by controlled corporation	5,199,999	6.50
Innovative Assets Limited ( <i>Note 4</i> )	Held by controlled corporation	5,199,999	6.50
Kingsway International Holdings Limited ( <i>Note 4</i> )	Held by controlled corporation	5,199,999	6.50
Mr. Lam Ka Chung William ( <i>Note 5</i> )	Held by controlled corporation	5,199,999	6.50
Ms. Lam Wong Yuk Sin Mary ( <i>Note 5</i> )	Held by controlled corporation	5,199,999	6.50
Mr. Choi Koon Shum Jonathan ( <i>Note 6</i> )	Held by controlled corporation	5,199,999	6.50
Ms. Kwan Wing Kum Janice ( <i>Note 7</i> )	Held by spouse	5,199,999	6.50

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)**

*Notes:*

1. Callaway Group Limited was beneficially owned as to 87.07% by Mr. Zhuo Ze Fan ("Mr. Zhuo"), 4.60% by Ms. Cui Yan Wen ("Ms. Cui") and 8.33% by True Assist Limited. Mr. Zhuo was an executive Director and chairman of the Company and the spouse of Ms. Cui. True Assist Limited was beneficially owned as to 50% by Ms. Chen Dong Jin, 30% by Mr. Wang Wen Ming ("Mr. Wang") and 20% by Mr. Wu Jing Jin. Ms. Chen Dong Jin was the spouse of Mr. Wang. Mr. Wu Jing Jin was a non-executive Director of the Company. By virtue of the SFO, Ms. Cui was deemed to be interested in the Shares held by Mr. Zhuo.
2. Ms. Chen Dong Jin, being the spouse of Mr. Wang was deemed to have interest in the shares held by Mr. Wang by virtue of the SFO.
3. These Shares were held through wholly owned subsidiaries of SW Kingsway Capital Holdings Limited ("SW Kingsway"). By virtue of the SFO, SW Kingsway was deemed to have interest in the Shares held by its wholly owned subsidiaries.
4. World Developments Limited held 74% of interest in SW Kingsway and was a wholly owned subsidiary of Innovative Assets Limited which in turn was a wholly owned subsidiary of Kingsway International Holdings Limited ("Kingsway International"). By virtue of the SFO, World Development Limited, Innovative Assets Limited and Kingsway International were deemed to have interest in the Shares held by SW Kingsway.
5. Mr. Lam Ka Chung William (deceased) and his spouse, Ms. Lam Wong Yuk Sin Mary beneficially owned or controlled 41% of the issued share capital of Kingsway International and were deemed (by virtue of the SFO) to be interested in the Shares held by Kingsway International.
6. Mr. Choi Koon Shum Jonathan ("Mr. Choi") beneficially owned or controlled 46% of the issued share capital of Kingsway International and was deemed (by virtue of the SFO) to be interested in the Shares held by Kingsway International.
7. Ms. Kwan Wing Kum Janice, being the spouse of Mr. Choi, was deemed to have interest in the Shares held by Mr. Choi by virtue of the SFO.

Save as disclosed herein, so far as known to any director or chief executive of the Company, no other person (other than the directors and chief executive of the Company) had any interest and short positions in the shares and underlying shares of the Company as required to be recorded in the register required to be kept under Section 336 of the SFO as at 31 March 2007.

## **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.

## **COMPLIANCE ADVISER'S INTERESTS**

As at 31 March 2007, 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.



## **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 and the Company's auditors in matters 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. Yue Kwai Wa, Ken and Mr. Ng Tang.

The Group's unaudited consolidated results for the three months ended 31 March 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and adequate disclosures had been made.

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

Xi'an City, Shaanxi Province, the People's Republic of China, 11 May 2007

*As at the date hereof, the executive Directors are Mr. Zhuo Ze Fan and Ms. Xie Yi Ping; the non-executive Director is Mr. Wu Jing Jin; the independent non-executive Directors are Mr. Yue Kwai Wa, Ken, Mr. Zhao Shou Guo and Mr. Ng Tang.*