



**SunGreen**

Interim 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”)**

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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 RMB81.1 million for the six months ended 30 June 2007, representing an approximately 1.1% decrease as compared with that of the corresponding period in 2006.
- Profit of the Group attributable to equity holders of the Company for the six months ended 30 June 2007 amounted to approximately RMB6.8 million, representing a slight increase of approximately 9.6% over the corresponding period in 2006.
- The Directors do not recommend an interim dividend for the six months ended 30 June 2007.

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

	Notes	Six months ended 30 June		Three months ended 30 June	
		2007 RMB (unaudited)	2006 RMB (unaudited)	2007 RMB (unaudited)	2006 RMB (unaudited)
Revenue	2	<b>81,124,770</b>	82,040,729	<b>45,322,284</b>	44,277,165
Cost of sales		<b>(54,307,531)</b>	(48,688,241)	<b>(30,735,541)</b>	(25,384,700)
Gross profit		<b>26,817,239</b>	33,352,488	<b>14,586,743</b>	18,892,465
Other operating income		<b>11,656,195</b>	5,119,475	<b>6,562,507</b>	2,828,274
Selling and distribution costs		<b>(18,511,186)</b>	(18,799,680)	<b>(10,702,205)</b>	(9,775,354)
Administrative expenses		<b>(5,976,589)</b>	(6,924,693)	<b>(2,538,403)</b>	(4,324,212)
Profit from operations	3	<b>13,985,659</b>	12,747,590	<b>7,908,642</b>	7,621,173
Finance costs		<b>(1,484,987)</b>	(1,083,146)	<b>(902,462)</b>	(581,261)
Profit before tax		<b>12,500,672</b>	11,664,444	<b>7,006,180</b>	7,039,912
Income tax expenses	4	<b>(1,243,825)</b>	(1,067,942)	<b>(644,490)</b>	(714,942)
Profit for the period		<b>11,256,847</b>	10,596,502	<b>6,361,690</b>	6,324,970
Attributable to:					
Equity holders of the Company		<b>6,801,430</b>	6,207,664	<b>3,856,573</b>	3,784,543
Minority interest		<b>4,455,417</b>	4,388,838	<b>2,505,117</b>	2,540,427
		<b>11,256,847</b>	10,596,502	<b>6,361,690</b>	6,324,970
Dividends	5	—	—	—	—
Earnings per share, basic (cents)	6	<b>8.50</b>	7.76	<b>4.82</b>	4.73

## UNAUDITED CONSOLIDATED BALANCE SHEET

		<b>As at</b>	As at
	<i>Notes</i>	<b>30 June 2007</b>	31 December 2006
		<b>RMB</b>	<b>RMB</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Intangible assets		<b>1,233,333</b>	1,655,833
Property, plant and equipment	7	<b>34,571,906</b>	35,299,514
Prepaid lease payments		<b>28,053,294</b>	28,361,529
Deposit paid for acquisition of property, plant and equipment		<b>34,419,600</b>	21,399,600
		<b>98,278,133</b>	86,716,476
<b>Current assets</b>			
Inventories		<b>8,075,076</b>	9,750,382
Trade receivables	8	<b>65,949,159</b>	37,775,772
Other receivables, deposits and prepayments		<b>25,533,112</b>	27,426,460
Prepaid lease payments		<b>627,610</b>	633,180
Amount due from a related company		<b>655,000</b>	655,000
Bank balances and cash		<b>54,216,522</b>	50,560,747
		<b>155,056,479</b>	126,801,541
<b>Current liabilities</b>			
Trade payables	9	<b>1,744,824</b>	1,607,901
Other payables and accrued charges		<b>15,986,981</b>	11,713,373
Tax payable		<b>1,666,609</b>	952,018
Amount due to a related company		<b>2,015,125</b>	1,601,686
Dividend payable to the shareholders of a subsidiary		<b>17,225,492</b>	17,225,492
Bank borrowings — due within one year	10	<b>28,000,000</b>	35,000,000
		<b>66,639,031</b>	68,100,470
<b>Net current assets</b>		<b>88,417,448</b>	58,701,071
		<b>186,695,581</b>	145,417,547

## UNAUDITED CONSOLIDATED BALANCE SHEET (Continued)

	<i>Notes</i>	<b>As at 30 June 2007 RMB (unaudited)</b>	As at 31 December 2006 RMB (audited)
<b>Capital and Reserves</b>			
Share capital	11	<b>848,000</b>	848,000
Reserves		<b>111,103,694</b>	104,281,077
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Equity attributable to equity holders of the Company		<b>111,951,694</b>	105,129,077
Minority interest		<b>44,743,887</b>	40,288,470
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Total equity		<b>156,695,581</b>	145,417,547
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<b>Non-current liabilities</b>			
Bank borrowings — due after one year	10	<b>30,000,000</b>	—
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		<b>186,695,581</b>	145,417,547
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## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 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	—	—	—	—	—	—	6,207,664	6,207,664	4,388,838	10,596,502
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(3,581)	—	—	(3,581)	—	(3,581)
As at 30 June 2006	848,000	77,200,638	6,782,518	6,868,067	(889,465)	(129,312)	12,795,554	103,476,000	38,348,131	141,824,131
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	—	—	—	—	—	—	1,707,441	1,707,441	1,940,339	3,647,780
As at 31 December 2006 and 1 January 2007	848,000	77,200,638	6,782,518	7,735,665	(943,829)	(129,312)	13,635,397	105,129,077	40,288,470	145,417,547
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	21,187	—	—	21,187	—	21,187
Profit for the period	—	—	—	—	—	—	6,801,430	6,801,430	4,455,417	11,256,847
As at 30 June 2007	848,000	77,200,638	6,782,518	7,735,665	(922,642)	(129,312)	20,436,827	111,951,694	44,743,887	156,695,581

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW  
 STATEMENT**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>RMB</b>	RMB
	<b>(unaudited)</b>	<i>(unaudited)</i>
Net cash outflow from operating activities	<b>(4,923,582)</b>	(3,141,137)
Net cash (outflow)/inflow from investing activities	<b>(14,441,830)</b>	1,315,786
Net cash inflow from financing activities	<b>23,000,000</b>	13,916,854
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Net increase in cash and cash equivalents	<b>3,634,588</b>	12,091,503
Effect of foreign exchange	<b>21,187</b>	—
Cash and cash equivalents at the beginning of the period	<b>50,560,747</b>	62,006,821
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Cash and cash equivalents at the end of the period, representing bank balances and cash	<b>54,216,522</b>	74,098,324
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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 research and development, manufacture, sale and distribution of organic potash fertilizers products.

The accounting policies adopted in preparing the unaudited consolidated results for the six months ended 30 June 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 six months ended 30 June 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 fertilisers. Revenue recognised during the three months and six months ended 30 June 2007 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2007 RMB (unaudited)	2006 RMB (unaudited)	2007 RMB (unaudited)	2006 RMB (unaudited)
Sales of				
General use fertilisers	<b>23,038,240</b>	22,750,526	<b>11,045,105</b>	11,415,724
Specific use fertilisers				
— for vegetable use	<b>23,642,564</b>	25,021,498	<b>12,822,624</b>	11,484,950
— for fruit use	<b>17,875,486</b>	14,720,416	<b>10,976,282</b>	9,848,106
— for tobacco use	<b>3,844,942</b>	3,906,453	<b>2,880,818</b>	3,003,811
— for cotton use	<b>9,583,950</b>	5,488,292	<b>6,693,729</b>	4,626,957
— for seeding use	<b>2,358,069</b>	8,110,566	<b>632,212</b>	3,186,038
— for garlic use	<b>139,557</b>	152,330	—	—
— for golden tree use	<b>628,157</b>	983,035	<b>257,709</b>	494,202
— for golden vegetable use	—	15,698	—	981
— for banana use	<b>13,805</b>	64,755	<b>13,805</b>	—
— for ramie use	—	175,094	—	—
— for golden orange use	—	430,189	—	172,076
— for watermelon use	—	221,877	—	44,320
	<b>81,124,770</b>	82,040,729	<b>45,322,284</b>	44,277,165

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 People's Republic of China (the "PRC"). Accordingly, the Directors consider that there is only one business segment and one geographical segment.

**SUNGREEN INTERNATIONAL HOLDINGS LIMITED**  
**INTERIM REPORT 2007**

**3. PROFIT FROM OPERATIONS**

The Group's profit from operations is arrived at after charging:

	Six months ended 30 June		Three months ended 30 June	
	2007	2006	2007	2006
	RMB	RMB	RMB	RMB
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortisation of intangible assets	<b>422,500</b>	465,500	<b>211,250</b>	214,250
Amortisation of prepaid lease payment				
— charged to consolidated income statement	<b>46,076</b>	46,054	<b>23,038</b>	23,028
— capitalised in properties under development	<b>267,729</b>	268,411	<b>133,865</b>	134,205
Depreciation of property, plant and equipment	<b>2,530,078</b>	2,430,323	<b>1,265,618</b>	1,198,688
	<b>3,266,383</b>	3,210,288	<b>1,633,771</b>	1,570,171

**4. INCOME TAX EXPENSES**

The amounts represented provision for the PRC Enterprise Income Tax ("EIT") on the Group's estimated assessable profit for the six months ended 30 June 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. Junchuan 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.

**5. DIVIDENDS**

No dividend has been paid or declared by the Group for the six months ended 30 June 2007 (2006: Nil).

**6. EARNINGS PER SHARE**

The calculation of the basic earnings per share for the period is based on the profit attributable to equity holders of 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 other period.

## 7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months period, the Group acquired approximately RMB1,804,000 property, plant and equipment for group expansion.

## 8. 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:

	<b>As at 30 June 2007 RMB (unaudited)</b>	<b>As at 31 December 2006 RMB (audited)</b>
Aged:		
0–60 days	<b>31,635,343</b>	12,550,519
61–120 days	<b>23,818,144</b>	12,699,135
121–180 days	<b>11,534,068</b>	13,529,918
181–365 days	<b>1,618,016</b>	981,682
Over 365 days	—	2,717
	<b>68,605,571</b>	39,763,971
Less: Allowances for bad and doubtful debts	<b>(2,656,412)</b>	(1,988,199)
	<b>65,949,159</b>	37,775,772

## 9. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	<b>As at 30 June 2007 RMB (unaudited)</b>	<b>As at 31 December 2006 RMB (audited)</b>
Aged:		
0–90 days	<b>1,181,214</b>	1,606,441
91–180 days	<b>54,098</b>	—
181–365 days	<b>508,052</b>	1,460
Over 365 days	<b>1,460</b>	—
	<b>1,744,824</b>	1,607,901

## 10. BANK BORROWINGS

During the period, the Group had repaid and raised bank loans of RMB35,000,000 and RMB58,000,000 respectively. At 30 June 2007, the Group had outstanding bank loans of RMB58,000,000.

**SUNGREEN INTERNATIONAL HOLDINGS LIMITED**  
**INTERIM REPORT 2007**

**11. SHARE CAPITAL**

	Number of shares	Par value per share HK\$	Amount HK\$
Authorised:			
As at 30 June 2006 and 2007	5,000,000,000	0.01	50,000,000
Issued:			
As at 30 June 2006 and 2007	80,000,000	0.01	800,000
In RMB equivalent			848,000

**12. CAPITAL COMMITMENTS**

	As at 30 June 2007 RMB (unaudited)	As at 31 December 2006 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	5,893,900	19,805,540
Capital expenditure contracted but not provide for in respect of development project of additional plant and machinery for the expansion in the production capacity	23,746,500	22,854,860

**13. CONTINGENT LIABILITIES**

	As at 30 June 2007 RMB (unaudited)	As at 31 December 2006 RMB (audited)
Guarantees given to banks in respect of general banking facilities granted to third parties	27,000,000	7,000,000

**14. PLEDGE OF ASSETS**

As at 30 June 2007, the Group has pledged its prepaid lease payment, buildings and plant and machinery of approximately RMB53,623,000 for the banking facilities granted by the banks to the Group. As at 31 December 2006, the Group had pledged its prepaid lease payments of approximately RMB25,010,000 for the banking facilities granted by the banks to the Group.

**15. SUBSEQUENT EVENTS**

There have been no material events which took place subsequent to 30 June 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group's unaudited consolidated turnover for the six months ended 30 June 2007 amounted to approximately RMB81.1 million, representing a slight decrease of approximately 1.1% 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 six months ended 2007 and 2006 would be approximately RMB92.3 million and RMB87.0 million respectively. A slight growth in turnover of approximately 6.1% is then recorded in the first six months of 2007 comparing with the corresponding period in 2006.

Gross profit of the Group for the first six months of 2007 was approximately RMB26.8 million, representing a decrease of approximately 19.6% over the first six months in 2006. The Group's gross profit margin for the period was approximately 33.0%, whilst the Group's gross profit margin was approximately 40.7% 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 six months ended 2007 and 2006 would be approximately RMB38.0 million and RMB38.4 million respectively whereas the gross profit margin would be approximately 41.2% and 44.1% respectively.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2007 amount to approximately RMB6.8 million, representing a growth of approximately 9.6% 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 administrative expenses of the Group.

As at 30 June 2007, the Group had cash and bank balances of approximately RMB54.2 million, representing approximately 35.0% of its current assets and 21.4% of its total assets. During the period under review, the Group raised RMB58.0 million new bank borrowings for the Group's working capital and capital expenditure. As at 30 June 2007, the Group had outstanding bank borrowings of RMB58.0 million.

The Group's current ratio and gearing ratio, expressing as current assets over current liabilities and total liabilities excluding minority interests over total assets of the Group respectively, are approximately 2.3% and 38.1%. The Directors are of the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

### **Business Review**

The overall business growth of the Group was satisfactory for the six months ended 30 June 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 administrative expenses, the Group recorded a slight growth in profit attributable to the equity holders of the parent during the six months ended 30 June 2007 comparing with the same period in 2006.

### **Prospect**

In coming future, the Group will keep expanding its sales network in the PRC and brand name recognition. Also, the Group will keep searching overseas business opportunities and expanding of product range in order to meet the needs from different customers and keep the Group's turnover growing.

## 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 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 30 June 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 30 June 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 30 June 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:

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Percentage of shareholding (%)</b>
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 Pensioenfonds	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 30 June 2007.

## **FOREIGN EXCHANGE EXPOSURE**

Since most of the income and expense as well as assets and liabilities of the Group are denominated in RMB, 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 29 to the 2006 annual financial statements. Up to 30 June 2007, 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 2007, the Group had approximately 216 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 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.

## **PLEDGE OF ASSETS**

At 30 June 2007, the Group has pledged its prepaid lease payments, buildings and plant and machinery of approximately RMB53,623,000 for the banking facilities granted by the banks of the Group.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the six months ended 30 June 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules with certain deviations in respect of the distinctive roles of chairman and chief executive officer as described in the 2006 annual report. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhuo Ze Fan, and believes that his appointment to the posts of Chairman and General Manager is beneficial to the business prospects of the Company. 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 confirmed that they had complied with the required standard of dealings and its code of conduct regarding directors' securities transactions.

## **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. Yue Kwai Wa, Ken and Mr. Ng Tang.

The Group's unaudited consolidated results for the six months ended 30 June 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.

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 2007

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