



SunGreen

Third 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.

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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 RMB122.2 million for the nine months ended 30 September 2007, representing an approximately 4.9% increase as compared with that of the corresponding period in 2006.
- Profit of the Group attributable to equity holders of the parent for the nine months ended 30 September 2007 amounted to approximately RMB9.4 million, representing an increase of approximately 16.1% over the corresponding period in 2006.
- The Directors do not recommend an interim dividend for the nine months ended 30 September 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 nine months ended 30 September 2007, together with the comparative figures for the corresponding period in 2006 as follows:

		Nine months ended 30 September		Three months ended 30 September	
	<i>Notes</i>	2007	2006	2007	2006
		RMB	RMB	RMB	RMB
		(unaudited)	<i>(unaudited)</i>	(unaudited)	<i>(unaudited)</i>
Revenue	2	122,192,367	116,477,672	41,067,597	34,436,943
Cost of sales		(81,883,266)	(68,764,953)	(27,575,735)	(20,076,712)
Gross profit		40,309,101	47,712,719	13,491,862	14,360,231
Other operating income		16,276,468	7,241,994	4,620,273	2,122,519
Selling and distribution costs		(26,313,214)	(28,402,127)	(7,802,028)	(9,602,447)
Administrative expenses		(10,257,315)	(9,454,126)	(4,280,726)	(2,529,433)
Profit from operations		20,015,040	17,098,460	6,029,381	4,350,870
Finance costs		(2,505,481)	(1,721,382)	(1,020,494)	(638,236)
Profit before tax		17,509,559	15,377,078	5,008,887	3,712,634
Income tax expenses	3	(1,836,841)	(1,456,673)	(593,016)	(388,731)
Profit for the period		15,672,718	13,920,405	4,415,871	3,323,903
Attributable to:					
Equity holders of the Company		9,430,038	8,120,142	2,628,608	1,912,478
Minority interest		6,242,680	5,800,263	1,787,263	1,411,425
		15,672,718	13,920,405	4,415,871	3,323,903
Dividends	4	—	—	—	—
Earnings per share, basic (cents)	5	11.79	10.15	3.29	2.39

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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2007 are as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2007 RMB (unaudited)	2006 RMB (unaudited)	2007 RMB (unaudited)	2006 RMB (unaudited)
Sales of				
General use fertilisers	36,913,645	34,793,086	13,875,405	12,042,560
Specific use fertilisers				
— for vegetable use	35,242,311	36,331,907	11,599,747	11,310,409
— for fruit use	24,079,325	19,907,112	6,203,839	5,186,696
— for tobacco use	6,261,922	5,506,524	2,416,980	1,600,071
— for cotton use	16,181,486	9,105,980	6,597,536	3,617,688
— for seeding use	2,724,260	8,653,774	366,191	543,208
— for garlic use	139,557	153,698	—	1,368
— for golden tree use	628,157	1,068,884	—	85,849
— for yellow melon use	—	547	—	547
— for golden vegetable use	—	25,981	—	10,283
— for banana use	21,704	103,019	7,899	38,264
— for ramie use	—	175,094	—	—
— for golden orange use	—	430,189	—	—
— for watermelon use	—	221,877	—	—
	122,192,367	116,477,672	41,067,597	34,436,943

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.

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3. INCOME TAX EXPENSES

The amounts represented provision for the PRC Enterprise Income Tax ("EIT") on the Group's estimated assessable profit for the nine months ended 30 September 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 nine months ended 30 September 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 30 September 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	—	—	—	—	—	—	8,120,142	8,120,142	5,800,263	13,920,405
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(3,581)	—	—	(3,581)	—	(3,581)
As at 30 September 2006	848,000	77,200,638	6,782,518	6,868,067	(889,465)	(129,312)	14,708,032	105,388,478	39,759,556	145,148,034
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)	—	—	—
(Loss)/profit for the period	—	—	—	—	—	—	(205,037)	(205,037)	528,914	323,877
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	—	—	—	—	35,813	—	—	35,813	—	35,813
Profit for the period	—	—	—	—	—	—	9,430,038	9,430,038	6,242,680	15,672,718
As at 30 September 2007	848,000	77,200,638	6,782,518	7,735,665	(908,016)	(129,312)	23,065,435	114,594,928	46,531,150	161,126,078

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's unaudited consolidated turnover for the nine months ended 30 September 2007 amounted to approximately RMB122.2 million, representing a slight increase of approximately 4.9% over the corresponding period in 2006. However, the increase in turnover was slow down by the increase of refundable value added tax rate from 6% to 13% at end of 2006. Although the valued added tax was refundable and had 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 nine months ended 30 September 2007 and 2006 would be approximately RMB137.9 million and RMB123.5 million respectively. A growth in turnover of approximately 11.6% would then be recorded in the first nine months of 2007 comparing with the corresponding period in 2006.

Gross profit of the Group for the first nine months of 2007 was approximately RMB40.3 million, representing a decrease of approximately 15.5% over the first nine 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 41.0% for the same period in 2006.

The gross profit and gross profit margin were also affected by the refundable value added tax. If no value added tax was imposed for the nine months ended 30 September 2007 and 2006, the Group's gross profit for the nine months ended 2007 and 2006 would be approximately RMB56.0 million and RMB54.8 million respectively whereas the gross profit margin would be approximately 40.6% and 44.3% respectively.

Profit attributable to the equity holders of the Company for the nine months ended 30 September 2007 amount to approximately RMB9.4 million, representing a growth of approximately 16.1% over the corresponding period in 2006. The increase was mainly due to the growth in turnover of the Group.

Business Review

The overall business growth of the Group was satisfactory for the nine months ended 30 September 2007. Due to the continuous growth in the PRC sales network, the Group recorded a growth in turnover and profit attributable to the equity holders of the Company during the nine months ended 30 September 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 growing 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 30 September 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 September 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 September 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 September 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 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 September 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 30 September 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 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.

AUDIT COMMITTEE (Continued)

The Group's unaudited consolidated results for the nine months ended 30 September 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, 12 November 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.