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

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

Annual Report
2007

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

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.

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EXECUTIVE DIRECTORS
Mr. ZHUO Ze Fan
Ms. XIE Yi Ping

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. ZHAO Shou Guo
Mr. NG Tang
Mr. LEUNG Yiu Wing

COMPLIANCE OFFICER
Mr. ZHUO Ze Fan

COMPANY SECRETARY
Mr. LI Chi Chung

QUALIFIED ACCOUNTANT
Mr. TSANG Chung Sing Edward

AUDIT COMMITTEE
Mr. ZHAO Shou Guo
Mr. LEUNG Yiu Wing
Mr. NG Tang

AUTHORISED REPRESENTATIVES
Mr. ZHUO Ze Fan
Ms. XIE Yi Ping

STOCK CODE
8306

COMPANY WEBSITE
www.jc-sino.com

COMPLIANCE ADVISER
Hantec Capital Limited

LEGAL ADVISERS
Sit, Fung, Kwong & Shum

AUDITORS
SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS
Citic Industrial Bank, Xi'an Branch
Bank of Communications, Xi'an Branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26th Floor,
Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Rooms 2014–15,
20/F, Hutchison House
10 Harcourt Road Central
Hong Kong

FINANCIAL HIGHLIGHTS

	2007	2006	2005	2004	2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**144,759**	135,545	129,969	116,155	88,739
Gross profit	**48,886**	53,628	46,576	43,823	35,034
Profit attributable to equity holders of the parent	**10,067**	7,915	769	7,845	9,964
Equity attributable to equity holders of the parent	**116,356**	105,129	97,272	12,770	41,499
Total assets	**265,820**	213,518	187,606	164,735	167,519
Total liabilities	**149,465**	108,389	90,334	151,965	126,020

	2007	2006	2005	2004	2003
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Earnings per share, basic *(cents)*	**12.58**	9.89	1.09	9.81	12.46
Net asset value per share	**1.45**	1.31	1.22	0.16	0.52

CHAIRMAN'S STATEMENT

I am pleased to present the annual report of Sungreen International Holdings Limited (the "Company") and together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2007 for your consideration.

BLUSINESS REVIEW

For the year ended 31 December 2007, the Group recorded a revenue of RMB145 million representing an increase of 6.8% over the corresponding year whilst net profit has increased to RMB18 million representing an increase of 26% when compared with last year.

INDUSTRY OVERVIEW

Agriculture is the back bone of the Chinese economy and fertilizers are critical to the sustainable development of the agricultural industry. Organic potash fertilizer is amongst the top three fertilizers most commonly used for fertilizing in the Chinese agricultural industry and it has become an irreplaceable product for the continued development of the agricultural business in China. 90% of the farm land in the South and 65% in the North is in serious deficiency in potassium and according to national report the demand for potash in China by 2010 is approximately 8.5 million tons per annum whilst the total production of potash currently is only 1.2 million tons per annum representing a shortfall in supply amounting to over 7 million tons per annum.

COMPETITIVE ADVANTAGES

The Group is a leader in the fertilizer's business in China with the highest technology achievement in the development of and inventment in organic potash fertilizers that can be fully absorbed without leaving any harmful substances. With this well-developed and matured technology in the development of environmental responsible fertilizing product, therefore, it is well equipped to defend against competition locally and from abroad. In addition, the Group has a team of highly trained and qualified research and development staff which the quality of our products will be continually improved and consistently assure our products to be as environmentally friendly as possible.

PROSPECT

In January 2008, the Group announced an acquisition of a Lead and Zinc mine situated in Inner Mongolia, the PRC representing a shift of the Group's business which will diversify its current fertilizer business to the mining business within China. The Directors believe that the change will provide additional business opportunities and earnings for the Group. The Group will continue to develop its fertilizer's business but at the same time increase its investment in the mining businesses in China.

ACKNOWLEDGEMENTS

Lastly, on behalf of the Directors, I wish to express my gratitude to all shareholders, investors, and business partners for their continued trust and support. I would also like to thank the staff members of the Group for the valuable contribution they have made, with team spirit and dedication, to the Group's long-term development. With staff members at all levels of the Group going all out, we can certainly bring our potential to the fullest in order to achieve the Group's operation and objectives and create shareholder's value.

Zhuo Ze Fan
Chairman

26 March 2008

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhuo Ze Fan (卓澤凡先生), aged 36, is the chairman of the Board, executive Director, and general manager of the Company and the founder of the Group. Mr. Zhuo is responsible for strategic planning, overall management and business development of the Group. He has over nine years of experience in organic fertilisers since Xi'an Juchuan International Investments Ltd (西安巨川國際投資有限公司) ("Juchuan Investments") commenced market study of the PRC fertiliser industry in late 1996. Mr. Zhuo has been overseeing the development process and the mass production of Fuwanjia Organic Potash Fertilisers. Mr. Zhuo established Shaanxi Fuwanjia Chemical Co. Ltd. (陝西富萬鉀代工有限責任公司) ("SF Chemical "), the predecessor company of Shaanxi Juchuan Fuwanjia Co., Ltd. (陝西巨川富萬鉀股份有限公司) ("Juchuan Fuwanjia"), since June 1998 as chairman and general manager. Under Mr. Zhuo's leadership, the Group completed various achievements, including national prizes of State Major High-tech Industrialised Project in 1999, Special Gold Prize of Ninth PRC Patented New-tech and New-product Exhibition in 2000, State Major New Product in 2001, the State Provisional Certificates (2002), (2003) and (2004). In 1999, Mr. Zhuo obtained a Master of Business Administration degree, which was jointly organised by North West University and Shaanxi MBA College. Mr. Zhuo is currently the Honor Chairman of MBA Association of Northwest University (西北大學MBA聯合會), an associate member of Global Inventor in Geneva (日內瓦全球發明家工會) and international patent affairs estimator (國際專利事務評估師) on World Patent Trade Assessment and Promotion Committee (世界專利交易評估及促進委員會). Mr. Zhuo was granted an honor of "2006 The Outstanding Contributions Experts in Shaanxi Province" (陝西省有突出貢獻專家) by the Shaanxi Provincial Committee of Communist Party of China (中國共產黨陝西省委員會) and Shaanxi Provincial People's Government (陝西省人民政府). In December 2007, Mr. Zhuo Ze Fan was elected as the vice-chairman of the national organization of agriculture industry under All-China Federation of Industry & Commerce (全國工商聯農業產業商會) and the member of Tenth Session Shaanxi Provincial Political Consultative Committee (陝西省十屆政協委員會).

Ms. Xie Yi Ping (解益平女士), aged 44, is an executive Director and finance Director of the Company. Ms. Xie joined as a manager of finance department of SF Chemical, the predecessor company of Juchuan Fuwanjia, since November 1999, and she is principally responsible for the accounting and finance activities of the Group. Being a qualified accountant in the PRC, Ms. Xie had more than 20 years of experience working at finance department of several companies before she joined the Group. Ms. Xie graduated from Shaanxi University of Finance and Economics with a bachelor degree in accounting in 1997.

Independent non-executive Directors

Mr. Zhao Shou Guo (趙守國先生), aged 44, is an independent non-executive Director. Mr. Zhao has been working at Northwest University since 1990 and is the professor and deputy dean of Economic Administration Division. Mr. Zhao is also an independent non-executive directors of other three listed companies in the PRC. The names and principal activities of these three listed companies are Shaanxi International Trust & Investment Corp.,Ltd (陝西省國際信託投資股份有限公司) (finance), Irico Display Devices Co., Ltd. (彩虹顯示器股份有限公司) (industrial manufacture) and Tunefulhome Co., Ltd. (天地源股份有限公司) (real estate). Mr. Zhao graduated from Northwest University with a doctorate in economics in 1995. Mr. Zhao has 18 years of experience in research of economic science. Mr. Zhao joined the Group as an independent non-executive director of Juchuan Fuwanjia in July 2000.

Mr. Ng Tang (吳騰先生), aged 46, is an executive director of China Best Group Holding Limited, the shares of which are listed on the Stock Exchange and the principal activities of which include, according to its latest published annual report, international air and sea freight forwarding (including provision of related global logistics services) and manufacture and sale of coke and securities investment. Mr. Ng has over 13 years' experience in corporate management both in Hong Kong and the PRC. He graduated from East China University of Politics and Law. He joined the Group in February 2005.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung Yiu Wing (梁耀榮先生), aged 42, is a practicing certified public accountant in Hong Kong and the sole proprietor of Eric Leung & Co., Certificated Public Accountants. He holds a bachelor degree in Accounting from Hull University. He is a fellow member of the Association of Chartered Certified Accountants (FCCA) and also an associate member of the Hong Kong Institute of Certified Public Accountants. (AHKICPA). He has over 18 years of experience in public accounting and listed companies in Hong Kong. Mr. Leung is currently an independent non-executive director of Tack Fat Group International Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. He was also an executive director, company secretary and authorised representative of CIL Holdings Limited, a company listed on the main board of the Stock Exchange, from February 2001 to September 2001.

SENIOR MANAGEMENT

Mr. Zheng Hai Feng (鄭海峰先生), aged 55, is the chief production officer responsible for production management of the Group. In 1973, Mr. Zheng graduated from Technical Reconnaissance Battalion of Lanzhou Military District of PRC People's Liberation Army with a bachelor degree in Russian. He joined the Group in June 1998 and has eight years of experience in fertiliser industry. Prior to joining the Group, Mr. Zheng had approximately 27 years work experience, among which he spent approximately two years working as chairman of an agriculture company that was engaged in production and sale of fertilisers in the PRC. Mr. Zheng then spent another years in a PRC securities company as a deputy general manager responsible for the overall management and operation.

Mr. Liu Chang You (劉長有先生), aged 60, is the chief technology officer of the Company who is responsible for overall research and development of the Group. Mr. Liu joined the research and development of the Company in October 2000 and before that he had more than 30 years' experience in fertiliser industry, including two years in production workshop of nitrogen-phosphate compound fertilizers and another thirty years in nitrogenous fertiliser factory, in which factory Mr. Liu was promoted as a chief engineer and stayed at the post for seven years. Mr. Liu had numerous fertiliser related publications and received various honours in the industry on these publications. Mr. Liu graduated from Zhengzhou University with a major in chemical engineering in 1968.

Mr. Tsang Chung Sing, Edward, aged 53, is the director of business development of the Group. Mr. Tsang is a holder of a Bachelor's degree in Commerce and a Master's degree in Business Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Prior to joining this company in January 2008, Mr. Tsang was the Deputy General Manager and Chief Financial Officer of China Water Affairs Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Li Bo Chai, Vincent, aged 31, is the financial controller of the Group. Mr. Li obtained a Bachelor's Degree in Accountancy from the University of Southern California and is a member of the America Institute of Certified Public Accountants. Mr. Li has over 8 years of experience in the field of auditing and accounting gained from international accounting firm. Mr. Li joined the Group in February 2008.

Mr. Li Chi Chung, aged 39, is currently a solicitor practising in Hong Kong. Mr. Li obtained a bachelor degree in laws from The University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Mr. Li is the independent non-executive director and the company secretary of various listed companies in Hong Kong. Mr. Li joined the Group in December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Turnover of the Group for the year ended 31 December 2007 amounted to approximately RMB145 million, representing an increase of approximately 6.8% compared with the 2006 figure of approximately RMB136 million. The increase represented that the Group continued to develop its fertilizers business with steady growth.

Gross profit

The Group's gross profit for 2007 amounted to approximately RMB49 million, representing a decrease of approximately 8.8% from 2006. Gross profit margin during the year ended 31 December 2007 was approximately 34%, representing a decrease of approximately 6% compared with the 2006 figure of approximately 40%. The decrease in gross profit margin was mainly contributed by the increase of VAT from 6% in 2006 to 13% in 2007.

Other operating income and operating expenses

The Group's other operating income mainly represents the refund on value-added tax.

The Group's operating expenses primarily consist of selling and distribution costs and administrative expenses, and both of the expenses were only slightly decreased by 3% and increased by 4% respectively. The Group maintained both expenses at similar level comparing with last year as a result of the implementation of cost control strategy by the Group during this year.

Taxation

It represented a PRC Enterprise Income Tax ("EIT") which was charged at 15% per year pursuant to relevant laws and regulations in the PRC. No such tax was charged to the Group because the Group enjoyed full tax exemption in the year of 2004 and 2005. This is the second year that the Group is charged for EIT but the Group enjoyed a 50% tax relief in 2007 and will continue to enjoy the same tax relief in the persuing years.

Profit for the year attributable to equity holders of the parent

Profit for the year attributable to equity holders of the parent amounted to approximately RMB18 million, represented an increase of approximately 26% over 2006. The increase represented that the Group continued to develop its fertilizers business with steady growth.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2007, the Group had bank balances and cash of approximately RMB61.3 million (2006: RMB50.6 million).

As at 31 December 2007, the outstanding bank loan of the Group amounted to RMB57 million (2006: RMB35.0 million), comprising of all short-term bank borrowings repayable within one year amounted to RMB27 million. The Group has no long term bank borrowings repayable after one year amounted to RMB30 million. As at 31 December 2007, the total asset value of the Group was approximately RMB265.8 million (2006: approximately RMB213.5 million) whereas the total liabilities was approximately RMB149.5 million (2006: RMB108.4 million). The gearing ratio of the Group, calculated as total liabilities excluding minority interests over total assets, was approximately 38.1% (2006: 31.9%).

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

As at 31 December 2007, the Group has pledged its prepaid lease payments and property, plant and equipment of approximately RMB28 million and RMB14 million respectively for the banking facilities granted by the bank to the Group.

As at 31 December 2006, the Group had pledged its prepaid lease payments and buildings of approximately RMB25 million for the banking facilities granted by the bank to the Group.

CAPITAL COMMITMENTS

As at 31 December 2007, the Group had approximately RMB1,429,000 (2006: RMB19,806,000) of capital expenditure authorised but not contracted for and approximately RMB40,204,000 (2006: RMB 22,855,000) of capital expenditure contracted but not provide for in respect of the development project of additional plant and machinery for the expansion in the production capacity. The site of the development project is at Houji Road, Yang Ling Agricultural High-Tech Demonstration Zone, Xi'an, Shaanxi Province, the PRC ("the Second Yang Ling Site").

CONTINGENT LIABILITIES

As at 31 December 2007, the financial guarantee given to a bank in respect of banking facilities utilised by an independent third party amounted to RMB20 million (2006: RMB7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 28 January 2008, the Group has conditionally agreed to acquire 75% of the equity interest in Wulatezhong Qi Tianbao Mining Company Limited, whose activity is principally engaged in the mining and processing of the mineral resources at the mine. In view of the current market conditions, the Group considers that the acquisition represents a good opportunity for the Group to expand its business which will diversify its current fertilizer business to the mining business within China.

SIGNIFICANT INVESTMENTS

The Group had no significant investments held in the year ended 31 December 2007.

EMPLOYEE INFORMATION

As at 31 December 2007, the Group had approximately 174 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 Provident Fund Scheme of Hong Kong. The Group remunerated its employees in accordance with their work performance and experience. 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 30 to the financial statements.

Total employees' remuneration incurred for the year ended 31 December 2007 amounted to approximately RMB7.9 million (2006: approximately RMB7.3 million). The Directors received remuneration of approximately RMB0.8 million during the year ended 31 December 2007 (2006: approximately RMB1.0 million).

CORPORATE GOVERNANCE REPORT

The Company applied the principles and complied with all requirements of the new promulgated Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules throughout 2007 with certain deviations in respect of the distinctive roles of chairman and chief executive officer. The following summarises the Company's corporate governance practices and explains deviations, if any, from the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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, all Directors confirmed that they complied with the required standard of dealings and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

The Board comprises five Directors, of whom two being executive Directors (including the Chairman of the Board), and three being independent non-executive Directors. The directors' profile is set out on pages 6 and 7 of the annual report. The Company has received confirmation from each independent non-executive Director about his independence under the GEM Listing Rules and continues to consider each of them to be independent. The independent non-executive Directors of the Company are appointed for a term of two years with specific terms in the letter of appointment.

The Board is responsible for determining the overall strategy and approving the annual business plan of the Group whereas day-to-day execution responsibility was delegated to management team of the Company with clear directions by the Board.

The Board held four meetings in 2007. Details of the attendance of the Board are as follows:

	Attendance
Executive Directors	
Mr. Zhuo Ze Fan	4/4
Ms. Xie Yi Ping	4/4
Non-executive Director	
Mr. Wu Jing Jin (resigned on 16 November 2007)	4/4
Independent non-executive Directors	
Mr. Yue Kwai Wa, Ken (resigned on 6 February 2008)	4/4
Mr. Zhao Shou Guo	4/4
Mr. Ng Tang	4/4
Mr. Leung Yiu Wing (appointed on 6 February 2008)	—

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has a post of General Manager but not Chief Executive Officer to manage day-to-day business. Mr. Zhuo Ze Fan is the Chairman and General Manager of the Company. 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 balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly at least four times a year to discuss issues affecting operations of the Company. Also, the balance of power is further ensured by the following reasons:

— The non-executive Directors (including independent non-executive Director and non-executive Director) form the majority of the Board;

— Audit Committee is composed exclusively of independent non-executive Directors; and

— The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advices when considered necessary.

The Board believes 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.

REMUNERATION OF DIRECTORS

The Company set up a Remuneration Committee in February 2005. The Remuneration Committee comprises three members, (i) an executive Director, Ms. Xie Yi Ping; and (ii) two independent non-executive Directors, namely Mr. Ng Tang and Mr. Zhao Shou Guo. Ms. Xie Yi Ping is the chairman of the Remuneration Committee. The responsibility of the Remuneration Committee is to formulate transparent procedures for development remuneration policies and packages for key executives. The terms of reference of the Remuneration Committee are in compliance with GEM Listing Rules.

The Remuneration Committee consults the chairman of the Board about their proposals relating to the remuneration policies and packages of key executives. During the year, no meeting was held and the remuneration committee decisions were approved by way of written resolutions passed by all the committee members. A resolution in writing signed by all the committee members shall be as valid and effectual as if it had been passed at a meeting of the Remuneration Committee duly convened and held.

NOMINATION OF DIRECTORS

The Company established the Nomination Committee in March 2005. The Nomination Committee currently comprises Mr. Zhuo Ze Fan (chairman), Mr. Ng Tang and Mr. Zhao Shou Guo.

The responsibilities and authorities of the Nomination Committee are clearly stated in the terms of reference of the Nomination Committee, including but not limited to reviewing the structure, size and composition of the Board, making recommendations to the Board on relevant matters relating to the appointment of Directors and accessing the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are in compliance with the GEM Listing Rules.

During the year ended 31 December 2007, no meeting was held by the Nomination Committee.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board employed an external auditor to review the effectiveness of the internal control system of the main subsidiary of the Group.

AUDITORS' REMUNERATION

During 2007, the fees paid and payable to the Company's external auditors are all for audit service amounted to approximately RMB0.4 million.

AUDIT COMMITTEE

The Company set up an Audit Committee in February 2005 with the responsibility of reviewing and providing supervision over the Group's financial process and internal controls. The Audit Committee comprises three members which are all independent non-executive Directors, namely Mr. Leung Yiu Wing (who replaced Mr. Yue Kwai Wa, Ken on 6 February 2008), Mr. Zhao Shou Guo and Mr. Ng Tang. All the independent non-executive Directors confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules.

The Audit Committee met four times in the year of 2007, which were attended by all members. The Group's 2007 quarterly and interim reports and 2006 annual report have been reviewed by the Audit Committee. For 2006 annual report, the Audit Committee met with the external auditors to discuss auditing and internal control matters before recommending it to the Board for approval.

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 39 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

No segment information is presented as the Group is principally engaged in the research and development, manufacture, sales and distribution of a series of organic potash fertilizers under the brand name of "Fuwanjia" to customers in the PRC. Accordingly, the Directors consider that there is only one business segment and one geographical segment.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 22 of the annual report.

The Directors do not recommend the payment of a final dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders at 31 December 2007 amounted to approximately RMBNil million (2006: RMB2.3 million).

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a *pro-rata* basis to existing shareholders.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors:
Mr. Zhuo Ze Fan
Ms. Xie Yi Ping

Non-executive director:
Mr. Wu Jing Jin (resigned on 16 November 2007)

Independent non-executive directors:
Mr. Yue Kwai Wa, Ken (resigned on 6 February 2008)
Mr. Zhao Shou Guo
Mr. Ng Tang
Mr. Leung Yiu Wing (appointed on 6 February 2008)

In accordance with clause 87 of the Company's bye-laws, Ms. Xie Yi Ping and Mr. Zhao Shou Guo will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with clause 86(2) of the Company's bye-laws, Mr. Leung Yiu Wing, being director appointed after year end date, shall hold office until the next following annual general meeting after his appointment and will therefore retire at the forthcoming annual general meeting, being eligible, offer himself for re-election.

DIRECTORS' PROFILE

The directors' profile is set out on pages 6 and 7 of the annual report.

DIRECTORS' SERVICE AGREEMENTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than three calendar months' notice in writing. Each of the executive Directors is entitled to a basic salary subject to an annual review by the Board. In addition, the executive Directors are also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of any financial year of the Company shall not exceed 5% of the audited consolidated net profit of the Group in respect of that financial year.

DIRECTORS' REPORT

The independent non-executive Directors of the Company are appointed for a term of two years with specific terms in the letter of appointment.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 30 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and in notes 22, 26 and 36 to the financial statements, no Director had a material interests, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its fellow subsidiaries and subsidiaries was a party subsisted at the end of the year or at any time during the year.

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 30 to the financial statements. Up to 31 December 2007, 8,000,000 option has been granted and remained outstanding under such share option scheme.

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 December 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 *(Note)*	34,905,059	43.63

Note: These Shares were held by Callaway Group Limited which is wholly and beneficially owned by Mr. Zhuo Ze Fan. Callaway Group Limited held 34,905,059 Shares on 21 February 2005 for the period from the date of commencement of dealings in the Shares on GEM (the "Listing Date") and up to 31 December 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 December 2007, none of 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 December 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 *(Note 1)*	Held by spouse	34,905,059	43.63
Stichting Shell Pensioenfonds	Investment manager	6,000,000	7.50
Ms. An Yu	Beneficial owner	5,714,285	7.14

Note:

1. Callaway Group Limited is wholly and beneficially owned by Mr. Zhuo Ze Fan. Mr. Zhuo Ze Fan was an executive Director and chairman of the Company and the spouse of Ms. Cui Yan Wen. By virtue of the SFO, Ms. Cui was deemed to be interested in the Shares held by Mr. Zhuo.

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 December 2007.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 92% of the total purchases of the Group and the largest supplier accounted for approximately 37% of the total purchases of the Group. The aggregate sales attributable to the Group's five largest customers during the year were less than 16% of the total sales of the Group.

DIRECTORS' REPORT

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in any of the five largest customers and suppliers of the Group.

CONNECTED TRANSACTIONS

Rental expenses to Juchuan Investments

During the year, rental charges and sub-charges of approximately RMB815,300 were charged from Juchuan Investments, a company in which Mr. Zhuo Ze Fan, the executive Director, of the Company have beneficial interests.

The rental charges and sub-charges payable by the Group constitute a continuing connected transaction under the GEM Listing Rules for the Company. Since the total consideration of the above continuing connected transaction for the year ended 31 December 2007 was less than HK$1,000,000 and represents less than 2.5% in each of the percentage ratios as set out in Rule 19.07 of the GEM Listing Rules, with reference to the figures for the year ended 31 December 2007 as disclosed in the annual report, the transaction fell within Rule 20.31(2) of the GEM Listing Rules and was exempted from disclosure and shareholders ' approval requirements under the GEM Listing Rules.

Consultancy fee to Shenzhen Guang Xin

On 4 October, 2005, it was announced that Shaanxi Juchuan Fuwanjia Co. Ltd. ("Juchuan Fuwanjia"), which is a 65% owned subsidiary of the Company, entered into a consultancy agreement with Shenzhen Guang Xin Investment Co. Ltd. ("Shenzhen Guang Xin"), which is owned as to 50% by Ms. Chen Dong Jin ("Ms. Chen"), 30% by Mr. Wang Wen Ming ("Mr. Wang") and 20% by Mr. Wu Jing Jin ("Mr. Wu") to provide consultancy services in connection with market development in Asia Pacific region.

For the year ended 2007, Shenzhen Guang Xin charged Juchuan Fuwanjia RMB655,000 for services rendered during the year.

The independent non-executive directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms, (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company confirms that it has received written confirmation from its auditors confirming the matters stated in the GEM Listing Rules 20.38.

Details of connected transactions for the year, which are also related party transactions, are set out in note 36 to the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interests in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 2007, neither Hantec Capital Limited (the "compliance adviser") nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the sponsorship 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 retained compliance adviser for the period commencing from (and including) the date of commencement of dealings in the Shares on GEM and ending on (and including) the last day of the second full (and not part thereof) financial year after the Listing Date.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 11 to 13 of the annual report.

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 (who was later replaced by Mr. Leung Yiu Wing on 6 February 2008) and Mr. Ng Tang.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

Proposed acquisition

On 28 January 2008, the Group, Rixi International Limited ("Rixi"), a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Mei Wei (the "Ultimate Beneficial Owner") and the Ultimate Beneficial Owner entered into an acquisition agreement (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, the Group has conditionally agreed to acquire the entire equity interest of Straight Upward Investments Limited ("Straight Upward"), a company established in the BVI with limited liability which is wholly-owned by Rixi, at a total consideration of HK$892.5 million.

The consideration of HK$892.5 million will be satisfied (i) as to HK$30 million in cash; (ii) as to HK$105.6 million by the issue of 19.2 million ordinary shares of HK$0.01 each; and (iii) as to HK$756.9 million by the issue of the convertible bonds.

Straight Upward is an investment holding company having an indirect 75% equity interest in 烏拉特中旗天寶礦業有限責任公司 Wulatezhong Qi Tianbao Mining Company Limited ("Tianbao Mining Company"), which in turn is principally engaged in the mining and processing of the mineral resources at a mine in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC, with an aggregate mining area of 1.1014 km^2.

Details of the Acquisition Agreement are set out in the circular dated on 5 February 2008.

Placing of shares

On 6 March 2008, the Company and a substantial shareholder of the Company, Callaway Group Limited, entered into a conditional placing agreement to place up to 5,900,000 existing shares of the Company at the price of HK$10.17 per share. On 11 March 2008, 5,900,000 shares of the Company have been placed.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as auditors of the Company.

On behalf of the Board
Sungreen International Holdings Limited

ZHUO Ze Fan
Chairman

Xi'an City, Shaanxi Province, the PRC, 26 March 2008

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF SUNGREEN INTERNATIONAL HOLDINGS LIMITED
綠陽國際控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sungreen International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 23 to 62, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA LIMITED
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
26 March 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	NOTES	2007 RMB	2006 RMB
Turnover	6	**144,759,377**	135,545,119
Cost of sales		**(95,873,710)**	(81,916,682)
Gross profit		**48,885,667**	53,628,437
Other operating income	7	**19,827,885**	8,921,944
Selling and distribution costs		**(33,132,915)**	(34,141,858)
Administrative expenses		**(11,307,384)**	(10,869,887)
Finance costs	8	**(3,806,010)**	(2,310,379)
Profit before taxation		**20,467,243**	15,228,257
Income tax expense	9	**(2,467,698)**	(983,975)
Profit for the year	10	**17,999,545**	14,244,282
Attributable to:			
Equity holders of the Company		**10,066,831**	7,915,105
Minority interests		**7,932,714**	6,329,177
		17,999,545	14,244,282
Earnings per share	13		
Basic (cents per share)		**12.58**	9.89
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	NOTES	2007 RMB	2006 RMB
Non-current assets			
Intangible assets	14	**810,833**	1,655,833
Property, plant and equipment	15	**32,633,456**	35,299,514
Prepaid lease payments	16	**27,728,255**	28,361,529
Deposits paid for acquisition of property, plant and equipment	17	**43,349,600**	21,399,600
		104,522,144	86,716,476
Current assets			
Inventories	18	**8,535,113**	9,750,382
Trade receivables	19	**41,563,715**	37,775,772
Other receivables, deposits and prepayments	20	**46,158,247**	27,426,460
Available-for-sale investments	21	**400,000**	—
Prepaid lease payments	16	**633,227**	633,180
Amount due from a related company	22	**—**	655,000
Balances with non-bank financial institutions	23	**2,750,939**	—
Bank balances and cash	24	**61,257,020**	50,560,747
		161,298,261	126,801,541
Current liabilities			
Trade payables	25	**477,082**	1,607,901
Other payables and accrued charges		**23,741,133**	11,713,373
Tax payable		**1,111,687**	952,018
Amount due to a related company	26	**—**	1,601,686
Dividend payable to the shareholders of a subsidiary		**17,225,492**	17,225,492
Bank and other borrowings — due within one year	27	**27,000,000**	35,000,000
		69,555,394	68,100,470
Net current assets		**91,742,867**	58,701,071
Total assets less current liabilities		**196,265,011**	145,417,547
Non-current liabilities			
Bank and other borrowings — due over one year	27	**30,000,000**	—
Deferred taxation	28	**1,688,174**	—
		31,688,174	—
Net assets		**164,576,837**	145,417,547

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	NOTES	**2007**	2006
		RMB	*RMB*
Capital and reserves			
Share capital	*29*	**848,000**	848,000
Reserves		**115,507,653**	104,281,077
Equity attributable to equity holders of the parent		**116,355,653**	105,129,077
Minority interests		**48,221,184**	40,288,470
Total equity		**164,576,837**	145,417,547

The consolidated financial statements on pages 23 to 62 were approved and authorised for issue by the Board of Directors on 26 March 2008 and are signed on its behalf by:

Zhuo Ze Fan
Director

Xie Yi Ping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to equity holders of the parent										
	Share capital RMB (Note 29)	**Share premium** RMB	**Capital reserve** RMB (Note 31 (a))	**Statutory reserve** RMB (Note 31 (b))	**Translation reserve** RMB	**Special reserve** RMB (Note 31 (c))	**Share-based compensation reserve** RMB (Note 31 (d))	**Retained profits** RMB	**Total** RMB	**Minority interests** RMB	**Total** RMB
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
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(57,945)	—	—	—	(57,945)	—	(57,945)
Profit for the year	—	—	—	—	—	—	—	7,915,105	7,915,105	6,329,177	14,244,282
Total recognised income and expenses for the year	—	—	—	—	(57,945)	—	—	7,915,105	7,857,160	6,329,177	14,186,337
Appropriated from retained profits	—	—	—	867,598	—	—	—	(867,598)	—	—	—
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	—	—	—	—	14,604	—	—	—	14,604	—	14,604
Profit for the year	—	—	—	—	—	—	—	10,066,831	10,066,831	7,932,714	17,999,545
Total recognised income and expenses for the year	—	—	—	—	14,604	—	—	10,066,831	10,081,435	7,932,714	18,014,149
Recognition of equity-settled share-based payment	—	—	—	—	—	—	1,145,141	—	1,145,141	—	1,145,141
Appropriated from retained profits	—	—	—	1,082,000	—	—	—	(1,082,000)	—	—	—
At 31 December 2007	**848,000**	**77,200,638**	**6,782,518**	**8,817,665**	**(929,225)**	**(129,312)**	**1,145,141**	**22,620,228**	**116,355,653**	**48,221,184**	**164,576,837**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	2007 *RMB*	2006 *RMB*
OPERATING ACTIVITIES		
Profit before taxation	**20,467,243**	15,228,257
Adjustments for:		
Finance costs	**3,806,010**	2,310,379
Interest income	**(890,982)**	(491,081)
Dividend income	**(2,864)**	—
Share-based payments	**1,145,141**	—
Depreciation of property, plant and equipment	**5,115,018**	5,230,101
Amortisation of prepaid lease payments	**96,340**	66,277
Amortisation of intangible assets	**845,000**	905,000
Gain on disposal of held-for-trading investments	**—**	(2,894)
Written off of property, plant and equipment	**1,560**	69,906
Impairment loss recognised on trade receivables	**199,365**	404,951
Reversal of impairment loss recognised on other receivables	**(517,819)**	(314,940)
Reversal of allowances for inventories	**—**	(137,604)
Written off of intangible assets	**—**	60,000
Operating cash flows before movements in working capital	**30,264,012**	23,328,352
Decrease in inventories	**1,215,269**	2,884,000
Increase in trade receivables	**(3,987,308)**	(8,380,696)
Increase in other receivables, deposits and prepayments	**(18,213,968)**	(15,676,715)
Decrease in other advance	**—**	2,000,000
Decrease in amount due from a director	**—**	3,950
Decrease in amount due from a related company	**655,000**	655,000
(Decrease)/increase in trade payables	**(1,130,819)**	674,214
Increase in other payables and accrued charges	**12,027,760**	7,332,003
(Decrease)/increase in amount due to a related company	**(1,601,686)**	767,383
Cash generated from operations	**19,228,260**	13,587,491
Income tax paid	**(619,855)**	(31,957)
NET CASH FROM OPERATING ACTIVITIES	**18,608,405**	13,555,534

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	2007	2006
	RMB	*RMB*
INVESTING ACTIVITES		
Deposits paid for acquisition of property, plant and equipment	**(21,950,000)**	(21,399,600)
Purchase of property, plant and equipment	**(1,929,939)**	(4,009,111)
Purchase of available-for-sale investments	**(400,000)**	—
Interest received	**890,982**	491,081
Dividend received	**2,864**	—
Proceeds from disposal of held-for-trading investments	**—**	952,894
Purchase of held-for-trading investments	**—**	(600,000)
Acquisition of prepaid lease payments	**—**	(80,000)
NET CASH USED IN INVESTING ACTIVITIES	**(23,386,093)**	(24,644,736)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**57,000,000**	35,000,000
Repayment of bank and other borrowings	**(35,000,000)**	(33,000,000)
Interest paid	**(3,806,010)**	(2,310,379)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**18,193,990**	(310,379)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**13,416,302**	(11,399,581)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**50,560,747**	62,006,821
Effect of foreign exchange	**30,910**	(46,493)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by		
Bank balances and cash and balances with non-bank financial institutions	**64,007,959**	50,560,747

1. GENERAL

Sungreen International Holdings Limited (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 Growth Enterprises Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28 February 2005.

The directors consider that the Company's parent and ultimate holding company is Callaway Group Limited, a company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" of the annual report.

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.

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 2007. The adoption of these new and revised International Financial Reporting Standards and Interpretations ("IFRSs") has no material effect on how the results for the current or prior accounting year have been prepared and presented. Accordingly, no prior year adjustment has been prepared.

At the date of authorisation of these consolidated financial statements, the following standards and interpretations were in issue but not yet effective:

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowing Cost[1]
IFRS 8	Operating Segments[1]
IFRIC-INT 11	IFRS 2 — Group and Treasury Share Transactions[2]
IFRIC-INT 12	Service Concession Arrangements[3]
IFRIC-INT 13	Customer Loyalty Programmes[4]
IFRIC-INT 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 March 2007.

3 Effective for annual periods beginning on or after 1 January 2008.

4 Effective for annual periods beginning on or after 1 July 2008.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with IFRS. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sales of goods provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment has been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in RMB, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contribution.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

Property, plant and equipment

Property, plant and equipment, other than properties under development, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment, other than properties under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land for future owner-occupied purpose

When the leasehold land and building are in the course of development for production purpose, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included under properties under development. Properties under development are carried at cost, less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives less impairment.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

Inventories

Inventories are measured at the lower of cost and net realisable value.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the group entities become a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Trade receivables, other receivables, amount due from a related company, bank balances and balances with non-bank financial institutions that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is in profit or loss for the period.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Dividend income from available-for-sale equity investments is recognised in profit or loss when the shareholder's right to receive payment has been established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available-for-sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities are mainly classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including trade payables, other payables and accrued charges, dividend payable to the shareholders of a subsidiary and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Other financial liabilities (Continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, only when, the Group's obligations are discharged, cancelled or they expired.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment for trade and other receivables

Provision for bad and doubtful debts is made based on an assessment of the recoverability of trade and other receivables. The identification of bad and doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and bad and doubtful debt expenses/write-back in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Estimated impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired:

— property, plant and equipment;

— intangible assets; and

— available-for-sale investments

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amounts.

The sources utilised to identify indications of impairment are often subjective in nature and the Group is required to use judgment in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group would perform such assessment utilising internal resources and engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilitised, the Group is required to make many assumptions to make this assessment, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Share-based payment expenses

The share-based payment expense is subject to the limitations of the Black-Scholes option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

5. FINANCIAL RISKS AND MANAGEMENT

The Group's major financial instruments include trade receivables, other receivables, deposits and prepayments, trade payables, other payables and accrued charges, balances with related companies and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risks and interest rate risk), credit risks and liquidity risks. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The Group is exposed to minimal foreign exchange rate risk as the purchases and sales are denominated in RMB, the functional currency of the principal subsidiary.

RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly the interest bearing bank balances and floating-rate bank and other borrowings at prevailing market interest rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below have been determined based on the exposure to interest rates for interest bearing bank balances and floating-rate bank and other borrowings at the balance sheet date. The analysis is prepared assuming the relevant assets and liabilities outstanding at the balance sheet date were outstanding for that whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the profit for the year ended 31 December 2007 would increase/decrease by RMB270,080 (2006: increase/decrease by RMB355,607). This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances is higher than that of the floating-rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

5. FINANCIAL RISKS AND MANAGEMENT (Continued)

Credit risk

At the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

— the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

— the amount of contingent liabilities in relation to financial guarantee issued by the Group.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds, including balances with non-bank financial institutions is limited because the counterparties are banks and financial institutions with high credit ratings and good reputation.

Liquidity risk

The board of directors of the Company has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank balances and banking facilities. The Group continuously monitors the forecast and actual cash flows and the maturity profiles of financial liabilities.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

For the year ended 31 December 2007

	Weighted average effective interest rate	On demand or less than three months *RMB*	Three months to less than twelve months *RMB*	More than one year but not exceeding five years *RMB*	Total contractual undiscounted cash flow *RMB*	Carrying amounts *RMB*
Trade payables	—	477,082	—	—	477,082	477,082
Other payables and accrued charges	—	23,741,133	—	—	23,741,133	23,741,133
Dividend payable to the shareholders of a subsidiary	—	17,225,492	—	—	17,225,492	17,225,492
Bank and other borrowings	8.7380%	—	27,874,655	40,115,680	67,990,335	57,000,000
Total		41,443,707	27,874,655	40,115,680	109,434,042	98,443,707

5. FINANCIAL RISKS AND MANAGEMENT (Continued)

Liquidity risk (Continued)

For the year ended 31 December 2006

	Weighted average effective interest rate	On demand or less than three months *RMB*	Three months to less than twelve months *RMB*	More than one year but not exceeding five years *RMB*	Total contractual undiscounted cash flow *RMB*	Carrying amounts *RMB*
Trade payables	—	1,607,901	—	—	1,607,901	1,607,901
Other payables and accrued charges	—	11,713,373	—	—	11,713,373	11,713,373
Amount due to a related company	—	1,601,686	—	—	1,601,686	1,601,686
Dividend payable to the shareholders of a subsidiary	—	17,225,492	—	—	17,225,492	17,225,492
Bank and other borrowings	6.5190%	—	35,997,913	—	35,997,913	35,000,000
Total		32,148,452	35,997,913	—	68,146,365	67,148,452

The contractual expiry periods of financial guarantees are as follows:

	2007 *RMB*	**2007** *Expiry*	2006 *RMB*	2006 *Expiry*
Guarantees given to banks in respect of banking facilities utilised by:				
Independent third parties	**20,000,000**	**25 May 2008**	7,000,000	19 June 2007

Capital risk management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consist of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

5. FINANCIAL RISKS AND MANAGEMENT (Continued)

Fair value

The fair values of financial assets and financial liabilities reported in the consolidated balance sheet approximate their carrying amounts due to their immediate or short-term maturities. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair values.

6. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amounts received and receivable for goods sold, which is net of value-added tax, less returns and allowances, during the year.

No segment information is presented as the Group operates in one single industry and one single segment, i.e. manufacture and sale of organic potash fertilizer products. The Group operates within one geographic segment as its revenues are primarily generated in the PRC and its major assets and liabilities are located in the PRC.

7. OTHER OPERATING INCOME

	2007	2006
	RMB	*RMB*
Bank interest income *(Note a)*	**890,982**	491,081
Gain on disposal of held-for-trading investments	**—**	2,894
Government grants *(Note b)*	**—**	150,000
Refund of value-added tax *(Note c)*	**18,913,525**	7,956,953
Reversal of impairment loss recognised on other receivables	**—**	314,940
Dividend income from available-for-sales investments	**2,864**	—
Other income	**20,514**	6,076
	19,827,885	8,921,944

Note a: The deposits carried fixed interest rate ranged from 0.72%–2.61% (2006: 0.72%–2.25%) per annum.

Note b: The grants from the Government recognised by the Group are for encouraging the development of high-technology organic fertilizer products in the PRC.

Note c: Pursuant to an approval document issued by State Tax Finance Bureau [財税(2004)197號], a subsidiary of the Group will be entitled to a refund of the value-added tax paid in relation to the sales of organic potash fertilizer products with effect from 1 December 2004.

8. FINANCE COSTS

	2007 RMB	2006 RMB
Interest on bank and other borrowings wholly repayable within five years	**3,806,010**	2,310,379

9. INCOME TAX EXPENSE

	2007 RMB	2006 RMB
The tax charge comprises:		
Current tax — PRC Enterprise Income Tax ("EIT")	**779,524**	983,975
Deferred tax	**1,688,174**	—
	2,467,698	983,975

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both years.

The Company's subsidiaries established in the PRC are regarded by the Xi'an Municipal Bureau of Science and Technology as a high technology enterprise located at the Xi'an National Hi-tech Industrial Development Zone and enjoy a lower rate of EIT at 15% pursuant to relevant laws and regulations in the PRC. Being the PRC sino-foreign equity joint venture companies, the subsidiaries are entitled to an exemption from PRC EIT 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. The subsidiaries are enjoying the 50% relief from EIT in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

9. INCOME TAX EXPENSE (Continued)

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In accordance with the "Guo Fa [2007] No. 39" promulgated on 26 December 2007, the preferential tax policies for the development of Western China that issued by the State Council shall continue to apply until the end of the tax preferential period. In this connection, the Group can continue to enjoy the preferential tax rates as described above until the end of their tax preferential periods as the Group is established and located in Western China.

The charge for the year can be reconciled to the profit as per the consolidated income statement as follows:

	2007	2006
	RMB	*RMB*
Profit before taxation	**20,467,243**	15,228,257
Tax at the domestic income tax rate of 15%	**3,070,086**	2,284,239
Effect of preferential tax rate in the PRC	**(1,985,861)**	(983,975)
Tax effect of income not taxable for tax purpose	**(127,405)**	(892,152)
Tax effect of expenses not deductible for tax purpose	**1,510,878**	575,863
Tax expenses for the year	**2,467,698**	983,975

Details of deferred taxation are set out in note 28 to the financial statements.

10. PROFIT FOR THE YEAR

	2007	2006
	RMB	*RMB*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments *(note 11)*	**820,260**	959,635
Other staff costs	**7,087,387**	6,308,551
Share-based payments	**1,145,141**	—
Retirement benefit schemes contributions (excluding those of directors)	**114,530**	66,580
Total staff costs	**9,167,318**	7,334,766
Less: Staff cost included in the research and development costs	**(497,500)**	(504,413)
	8,669,818	6,830,353
Amortisation of intangible assets (charged to administrative expenses)	**845,000**	905,000
Amortisation of prepaid lease payments		
— charged to consolidated income statement	**96,340**	66,277
— capitalised in properties under development	**536,887**	519,772
	633,227	586,049
Depreciation of property, plant and equipment	**5,115,018**	5,230,101
Less: Depreciation included in the research and development costs	**(116,766)**	(86,766)
	4,998,252	5,143,335
Cost of inventories recognised in the consolidated income statement	**95,873,710**	81,916,682
Auditors' remuneration		
— current year	**400,000**	300,000
— under-provision in prior year	**—**	5,000
Written off of property, plant and equipment	**1,560**	69,906
Written off of intangible assets	**—**	60,000
Research and development costs	**1,522,964**	1,417,836
Impairment loss recognised on trade receivables	**199,365**	404,951
Reversal of impairment loss recognised on other receivables	**(517,819)**	(314,940)
Reversal of allowances for inventories	**—**	(137,604)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The details of directors' remuneration of each director for the years ended 31 December 2007 and 2006 are set out below:

	2007			
Name of director	**Non-executive directors' fees** *RMB*	**Executive directors' salaries** *RMB*	**Contributions to retirement benefits scheme** *RMB*	**Total** *RMB*
Executive directors:				
Zhuo Ze Fan	**—**	**456,000**	**4,260**	**460,260**
Xie Yi Ping	**—**	**180,000**	**—**	**180,000**
Wu Jing Jin *(Note)*	**—**	**—**	**—**	**—**
Independent non-executive directors:				
Zhao Shou Guo	**60,000**	**—**	**—**	**60,000**
Yue Kwai Wa, Ken	**60,000**	**—**	**—**	**60,000**
Ng Tang	**60,000**	**—**	**—**	**60,000**
	180,000	**636,000**	**4,260**	**820,260**

Notes: Resigned on 16 November 2007.

	2006			
Name of director	Non-executive directors' fees *RMB*	Executive directors' salaries *RMB*	Contributions to retirement benefits scheme *RMB*	Total *RMB*
Executive directors:				
Zhuo Ze Fan	—	516,000	3,635	519,635
Lv Xia *(Note)*	—	60,000	—	60,000
Xie Yi Ping	—	200,000	—	200,000
Wu Jing Jin	—	—	—	—
Independent non-executive directors:				
Zhao Shou Guo	60,000	—	—	60,000
Yue Kwai Wa, Ken	60,000	—	—	60,000
Ng Tang	60,000	—	—	60,000
	180,000	776,000	3,635	959,635

Note: Resigned on 30 June 2006.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals included two (2006: two) directors during the year ended 31 December 2007, details of whose emoluments are included above. The emoluments of the remaining three (2006: three) individuals, which fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB1,000,000) for the year ended 31 December 2007 are as follows:

	2007 *RMB*	2006 *RMB*
Basic salaries, bonus and allowances	**817,074**	876,651
Share-based payments	**968**	—
Retirement benefits scheme contributions	**27,700**	30,161
	845,742	906,812

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors had waived any emoluments for the two years ended 31 December 2007 and 2006.

12. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2007 and 2006, nor has any dividend been proposed since the balance sheet date.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year attributable to the equity holders of the Company is based on the profit for the year attributable to the equity holders of the Company of RMB10,066,831 (2006: RMB7,915,105) and weighted average number of ordinary shares of 80,000,000 shares (2006: 80,000,000 shares) of the Company.

No diluted earnings per share has been presented for the year ended 31 December 2007 as the exercise price of the Company's share option was higher than the average market price for shares for 2007.

No diluted earnings per share has been presented for the year ended 31 December 2006 as there was no diluted events during the year ended 31 December 2006 and no dilutive shares was outstanding.

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Year ended 31 December 2007

14. INTANGIBLE ASSETS

	Technical know-how *RMB*	Patent *RMB*	Total *RMB*
COST			
At 1 January 2006	3,660,000	1,250,000	4,910,000
Written off	(60,000)	—	(60,000)
At 31 December 2006 and 31 December 2007	3,600,000	1,250,000	4,850,000
AMORTISATION			
At 1 January 2006	1,560,000	729,167	2,289,167
Charge for the year	780,000	125,000	905,000
At 31 December 2006 and 1 January 2007	2,340,000	854,167	3,194,167
Charge for the year	720,000	125,000	845,000
At 31 December 2007	3,060,000	979,167	4,039,167
CARRYING VALUES			
At 31 December 2007	540,000	270,833	810,833
At 31 December 2006	1,260,000	395,833	1,655,833

Technical know-how and patent are amortised over 5 years and 10 years, respectively, on a straight-line basis.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Properties under development	Total
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
COST							
At 1 January 2006	15,671,598	8,706,431	31,019,525	1,908,641	3,814,947	6,121,260	67,242,402
Exchange difference	—	(26,615)	—	(7,189)	—	—	(33,804)
Additions	34,836	202,162	2,685,809	85,964	—	1,520,112	4,528,883
Transfer	1,409,860	—	33,225	—	—	(1,443,085)	—
Written off	—	(665,370)	(42,600)	(27,387)	—	—	(735,357)
At 31 December 2006 and 1 January 2007	17,116,294	8,216,608	33,695,959	1,960,029	3,814,947	6,198,287	71,002,124
Exchange difference	—	(14,151)	—	(12,562)	—	—	(26,713)
Additions	—	—	71,581	41,060	1,449,497	904,688	2,466,826
Written off	—	—	(52,000)	—	—	—	(52,000)
At 31 December 2007	**17,116,294**	**8,202,457**	**33,715,540**	**1,988,527**	**5,264,444**	**7,102,975**	**73,390,237**
DEPRECIATION							
At 1 January 2006	5,558,317	8,537,959	13,892,961	1,141,396	2,029,679	—	31,160,312
Exchange difference	—	(20,135)	—	(2,217)	—	—	(22,352)
Provided for the year	667,457	178,283	3,698,949	290,850	394,562	—	5,230,101
Eliminated upon written off	—	(614,272)	(41,322)	(9,857)	—	—	(665,451)
At 31 December 2006 and 1 January 2007	6,225,774	8,081,835	17,550,588	1,420,172	2,424,241	—	35,702,610
Exchange difference	—	(4,717)	—	(5,690)	—	—	(10,407)
Provided for the year	804,911	94,004	3,467,252	241,908	506,943	—	5,115,018
Eliminated upon written off	—	—	(50,440)	—	—	—	(50,440)
At 31 December 2007	**7,030,685**	**8,171,122**	**20,967,400**	**1,656,390**	**2,931,184**	**–**	**40,756,781**
CARRYING VALUES							
At 31 December 2007	**10,085,609**	**31,335**	**12,748,140**	**332,137**	**2,333,260**	**7,102,975**	**32,633,456**
At 31 December 2006	10,890,520	134,773	16,145,371	539,857	1,390,706	6,198,287	35,299,514

The official property title certificates for certain of the Group's buildings with carrying amounts of approximately RMB1,084,000 (2006: RMB1,158,601) in aggregate have not yet been issued by the relevant local government authorities. The directors are of the opinion that the Group's right and interest in such buildings will not be therefore severely prejudiced.

The following rates per annum are used for the depreciation of property, plant and equipment on a straight-line basis:

Buildings	Over the term of the leasehold interests in land
Leasehold improvements	20%–33$\frac{1}{3}$%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	12$\frac{1}{2}$%

The buildings and properties under development are situated on leasehold land held under medium-term in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

16. PREPAID LEASE PAYMENTS

	2007 *RMB*	2006 *RMB*
The Group's prepaid lease payments comprise:		
Leasehold interests in land in PRC held under medium-term of 50 years	**28,361,482**	28,994,709
Analysed for reporting purposes as:		
Current asset	**633,227**	633,180
Non-current asset	**27,728,255**	28,361,529
	28,361,482	28,994,709

17. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The amounts were paid for the acquisition of property, plant and equipment for the Group's development project in the PRC. In the opinion of the directors, the deposits are non-refundable and therefore classified as non-current assets.

18. INVENTORIES

	2007 *RMB*	2006 *RMB*
Raw materials	**470,939**	2,259,087
Work in progress	**2,110,777**	1,998,187
Finished goods	**5,953,397**	5,493,108
	8,535,113	9,750,382

During the year ended 31 December 2006, there was an increase in the net realisable value of raw materials due to market shortage in raw materials. As a result, a reversal of write-down of inventories of RMB137,604 has been recognised and included in administrative expenses.

19. TRADE RECEIVABLES

The Group allows a credit period of 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 (less impairment) is as follows:

	2007 *RMB*	2006 *RMB*
0–60 days	**11,820,539**	11,922,993
61–120 days	**18,793,536**	12,064,178
121–180 days	**9,998,001**	12,853,422
181–365 days	**951,639**	932,598
Over 365 days	**—**	2,581
	41,563,715	37,775,772

19. TRADE RECEIVABLES (Continued)

Movement in the provision for impairment on trade receivables:

	2007	2006
	RMB	*RMB*
Balance at beginning of the year	**1,988,199**	1,583,248
Impairment recognised for the year	**199,365**	404,951
Balance at end of the year	**2,187,564**	1,988,199

As at the balance sheet date, trade receivables of RMB951,639 (2006: RMB935,179) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2007	2006
	RMB	*RMB*
181–365 days	**951,639**	932,598
Over 365 days	**—**	2,581
	951,639	935,179

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2007	2006
	RMB	*RMB*
Other receivables, deposits and prepayments	**46,158,247**	27,426,460

Movement in the provision for impairment on other receivables:

	2007	2006
	RMB	*RMB*
Balance at beginning of the year	**1,007,221**	1,322,161
Impairment reversed for the year	**(517,819)**	(314,940)
Balance at end of the year	**489,402**	1,007,221

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Year ended 31 December 2007

21. AVAILABLE-FOR-SALE INVESTMENTS

	2007 *RMB*	2006 *RMB*
Unlisted equity securities	**400,000**	—

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

22. AMOUNT DUE FROM A RELATED COMPANY

	Maximum balance outstanding during the year	**2007** *RMB*	2006 *RMB*
Shenzhen Guang Xin Investment Co. Ltd. (深圳市廣信投資有限公司)	655,000	**—**	655,000

The amount is unsecured, non-interest bearing and repayable on demand. A non-executive director of the Company, Mr. Wu Jing Jin, has beneficial interests in this related company.

23. BALANCES WITH NON-BANK FINANCIAL INSTITUTIONS

Balances with non-bank financial institutions comprise short-term deposits with an original maturity of three months or less. The interest rate ranged from 0.72%–2.61% per annum.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The interest rate ranged from 0.72%–2.61% (2006: 0.72%–2.25%) per annum.

25. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2007 *RMB*	2006 *RMB*
0–90 days	**117,636**	1,606,441
91–180 days	**156,744**	—
181–365 days	**125,913**	1,460
Over 365 days	**76,789**	—
	477,082	1,607,901

26. AMOUNT DUE TO A RELATED COMPANY

Details of amount due to a related company are as follows:

	2007 RMB	2006 RMB
Xian Juchuan International Investments Ltd. ("Juchuan Investments")	–	1,601,686

The amount is unsecured, non-interest bearing and repayable on demand. Mr. Zhuo Ze Fan, the director of the Company, has beneficial interest in this related company.

27. BANK AND OTHER BORROWINGS

	2007 RMB	2006 RMB
Bank borrowings	**27,000,000**	35,000,000
Other borrowings	**30,000,000**	—
	57,000,000	35,000,000
Secured	**37,000,000**	15,000,000
Unsecured	**20,000,000**	20,000,000
	57,000,000	35,000,000
The bank and other borrowings are repayable as follows:		
On demand or within one year	**27,000,000**	35,000,000
More than two years, but not exceeding five years	**30,000,000**	—
	57,000,000	35,000000
Less: Amounts due within one year shown under current liabilities	**(27,000,000)**	(35,000,000)
	30,000,000	—

All the Group's bank and other borrowings are denominated in RMB.

At 31 December 2007, the secured bank and other borrowings are secured by the Group's prepaid lease payment, property, plant and equipment and personal guarantee by Mr. Zhuo Ze Fan, the director of the Company and a corporate guarantee by 陝西巨川實業有限責任公司 in which Mr. Zhuo Ze Fan has beneficial interests.

At 31 December 2006, the secured bank borrowing is secured by the Group's prepaid lease payment and personal guarantee by Mr. Zhuo Ze Fan, the director of the Company and a corporate guarantee by Juchuan Investments in which Mr. Zhuo Ze Fan has beneficial interests.

At 31 December 2007, the unsecured bank borrowing was guaranteed by an independent third party, 西安開米股份有限公司. The Group also provided cross-guarantee to this independent third party for the bank borrowing of RMB20,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

27. BANK AND OTHER BORROWINGS (Continued)

At 31 December 2006, the unsecured bank borrowing was guaranteed by an independent third party, 陝西東科麥迪森醫藥科技股份有限公司. The Group also provided cross-guarantee to this independent third party for the bank borrowing of RMB7,000,000.

Borrowings comprise:

	Effective interest rate	2007 RMB	2006 RMB
Fixed-rate borrowings:			
Unsecured bank loan repaid on 25 May 2007	6.1425%p.a.	—	20,000,000
Unsecured bank loan repayable on 25 May 2008	6.8985%p.a.	20,000,000	—
Floating-rate borrowings			
Secured bank loan repayable on 21 June 2007	7.0200%p.a.	—	15,000,000
Secured bank loan repayable on 19 June 2008	9.4770%p.a.	7,000,000	—
Secured other loan repayable on 23 May 2011	9.7920%p.a.	20,000,000	—
Secured other loan repayable on 25 May 2011	9.7920%p.a.	10,000,000	—
		57,000,000	35,000,000

28. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the year:

	Value-added tax refundable RMB
Balance at 1 January 2007	—
Charge to consolidated income statement for the year	1,688,174
Balance at 31 December 2007	1,688,174

29. SHARE CAPITAL

	Number of shares	Par value per share *HK$*	Amount *HK$*
Authorised:			
As at 1 January 2006, 31 December 2006 and 31 December 2007	5,000,000,000	0.01	50,000,000
Issued:			
As at 1 January 2006, 31 December 2006 and 31 December 2007	80,000,000	0.01	800,000
In RMB equivalent			848,000

30. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of the shareholders passed on 16 February 2005 for the primary purpose of providing the people and the parties working for the interest of the Group with an opportunity to obtain equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with incentives to work better for the interest of the Group and/or rewards for their contribution and support to the Group. The board of directors may, at its discretion, invite (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries or associated companies; (ii) chief executive, directors (whether executive directors or non-executive directors or independent non-executive directors) of the Company or any of its subsidiaries or associated companies; (iii) any shareholder of any member of the Company or any of its subsidiaries or associate companies; (iv) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; (v) any customers of the Company or any of its subsidiaries or associated companies; (vi) any person or entity that provides research, development or other technical support to the Company or any of its subsidiaries or associated companies; (vii) any adviser (technological, technical, financial, legal or otherwise) or consultants engaged by or worked for the Company or any of its subsidiaries or associated companies; and (viii) joint venture partner or counter-party to any business operation or business arrangements of the Group (together, the "Participants" and each a "Participant"), to take up options ("Options") to subscribe for shares at a price calculated in accordance with paragraph below. No performance target is required to be achieved before an option can be exercised.

HK$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant.

At the time of adoption of the Share Option Scheme, the Company may seek approval of its shareholders in a general meeting to authorize the directors to grant Options under the Share Option Scheme and any other Share Option Schemes of the Company entitling the grantees to exercise up to an aggregate of 10%, being 8,000,000 shares (the "Scheme Mandate Limit") of the total number of shares in issue immediately following completing of the placing (excluding (a) any shares issued pursuant to Share Option Scheme and any other Share Option Schemes of the Company; and (b) any pro rata entitlements to further shares issued in respect of these shares mentioned in (a) unless the Company obtains a fresh approval from the shareholders).

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30. SHARE OPTION SCHEME (Continued)

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the board of directors to each grantee, which period shall commence on the date on which an offer of the grant of an Option is accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the board.

The Share Option Scheme will remain valid and effective for a period of 10 years commencing on 16 February 2005, after which period no further Options will be granted but in respect of all Options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect. Unless otherwise determined by the directors of the Company at their discretion, there is no requirement of minimum period of which a share option must be held.

During the year ended 31 December 2007, 8,000,000 options were granted under the Share Option Scheme to the Company's employees and suppliers of services to the Group and no options were exercised.

As at 31 December 2007, the number of shares in respect of which option had been granted and remained outstanding under the Share Option Scheme was 8,000,000, representing 10% of the shares of the Company in issue at the date.

The following table discloses details of the Company's share options:

Option series	Date of grant	Number of options	Exercise period	Exercise price per share	Fair value at grant date
				HK$	
Series 1	Granted on 14.12.2007 *(Note 1)*	1,600,000	14.12.2007–31.12.2010	1.65	0.1829
Series 2	Granted on 17.12.2007 *(Note 1)*	6,150,000	17.12.2007–31.12.2010	1.65	0.1382
Series 3	Granted on 17.12.2007 *(Note 2)*	125,000	17.6.2008–11.6.2011	1.65	0.0127
Series 4	Granted on 17.12.2007 *(Note 3)*	125,000	17.12.2008–17.12.2011	1.65	0.0007
		8,000,000			

Notes:

(1) In accordance with the terms of the Share Option Scheme, these options are vested at the date of grant.

(2) In accordance with the terms of the Share Option Scheme, these lot of share options will vest after six months from the date of grant. These options are exercisable on the vesting date.

(3) In accordance with the terms of the Share Option Scheme, these lot of share options will vest after twelve months from the date of grant. These options are exercisable on the vesting date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

30. SHARE OPTION SCHEME (Continued)

The fair values of the share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into model were as follows:

	Series 1	Series 2	Series 3	Series 4
Weighted average share price	1.65	1.55	1.55	1.55
Weighted average exercise price	1.65	1.65	1.65	1.65
Expected volatility	25.44%	25.44%	27.44%	26.21%
Expected life	1.52	1.52	1.75	2.00
Risk free rate	2.04%	2.08%	2.23%	2.3%
Expected dividend yield	0%	0%	0%	0%

The share options outstanding as at the balance sheet date had an exercise price of HK$1.65, and a weighted average remaining contractual life of 1,104 days.

31. RESERVES

(a) Capital reserve

Capital reserve arose during the year 2005 represented the loan from shareholder have been waived pursuant to the deed of waiver prior to the listing of the shares of the Company on the GEM of the Stock Exchange.

(b) Statutory surplus reserve/Statutory surplus reserve fund/Enterprise expansion fund

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, Shaanxi Juchuan Fuwanjia Co., Ltd. ("Juchuan Fuwanjia"), the principal subsidiary, is required to maintain two statutory reserves, being a general reserve fund and an enterprise expansion fund which are not distributable. Appropriations to such reserves are made out of profit for the year as per the PRC statutory financial statements and the amount and allocation basis are decided by its board of directors annually.

(c) Special reserve

The special reserve represented the difference between the nominal value of share capital issued by the Company and the nominal value of share capital of the subsidiaries at the time of group reorganisation.

(d) Share-based compensation reserve

The share-based compensation reserve arises on the grant of share options to respective parties under the Share Option Scheme. Further information of the share-based payments is set out in note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. OPERATING LEASE COMMITMENTS

Minimum lease payments paid under operating leases during the year:

	2007	2006
	RMB	*RMB*
Premises	**1,341,451**	1,242,352

At the respective balance sheet dates, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007	2006
	RMB	*RMB*
Within one year	**1,038,875**	700,704
In the second to fifth year inclusive	**131,500**	251,398
	1,170,375	952,102

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for an average term of two years with fixed rentals.

33. CAPITAL COMMITMENTS

	2007	2006
	RMB	*RMB*
Capital expenditure authorised but not contracted for in respect of development project of additional plant and machinery for the expansion in the production capacity	**1,429,290**	19,805,540
Capital expenditure contracted but not provided for in respect of development project of additional plant and machinery for the expansion in the production capacity	**40,203,710**	22,854,860

34. CONTINGENT LIABILITIES

As at 31 December 2007, the financial guarantee given to banks in respect of banking facilities utilised by an independent third party amounted to RMB20,000,000 (2006: RMB7,000,000).

35. PLEDGE OF ASSETS

As at the balance sheet date, the Group has pledged the following assets for the banking facilities granted by the bank to the Group:

	2007	2006
	RMB	*RMB*
Prepaid lease payments	**28,361,482**	25,010,000
Property, plant and equipment	**13,611,097**	—
	41,972,579	25,010,000

36. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following transactions with the related persons:

Nature of transactions	*Notes*	**2007** ***RMB***	2006 *RMB*
Rental charges and sub-charges payable by the Group	*(i)*	**815,300**	802,150
Consultancy service fee paid by the Group	*(ii)*	**655,000**	655,000

Notes:

(i) Rental charges and sub-charges were charged in accordance with a tenancy agreement dated 29 February 2007 entered into between the Group and Juchuan Investments. Mr. Zhuo Ze Fan, the director of the Company, has beneficial interests in Juchuan Investments.

(ii) Consultancy service fee was charged at the pre-agreed rate in accordance with a consultancy agreement dated 12 October 2005 entered into between the Group and Shenzhen Guang Xin Investment Co., Ltd. (深圳市廣信投資有限公司). No such services fee was incurred during the year ended 31 December 2007.

Also, the Group had certain balances with related parties, details of these are set out in notes 22 and 26 to the consolidated financial statements.

In addition, certain bank and other borrowings of the Group are guaranteed by Mr. Zhuo Ze Fan, a director of the Company and a related party of the Group. Details of these transactions are set out in note 27 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2007

36. RELATED PARTY DISCLOSURES (Continued)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2007	2006
	RMB	*RMB*
Short-term benefits	**1,475,052**	1,340,000
Share-based payments	**968**	—
Post-employment benefits	**18,520**	15,635
	1,494,540	1,355,635

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

37. RETIREMENT BENEFITS SECHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme of rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under Scheme.

The Group also participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

The total cost charged to the consolidated income statement of RMB65,227 (2006: RMB70,215) represents contribution payable to these schemes by the Group in respect of the current accounting year.

As at 31 December 2006 and 2007, the Group had no significant obligation apart from the contribution as stated above.

38. FINANCIAL INSTRUMENTS

As at the balance sheet date, the Group had the following categories of financial instruments:

	2007	2006
	RMB	*RMB*
Financial assets		
Loans and receivables		
Trade receivables	**41,563,715**	37,775,772
Other receivables, deposits and prepayments	**46,158,247**	27,426,460
Amount due from a related company	**—**	655,000
Balances with non-bank financial institutions	**2,750,939**	—
Bank balances and cash	**61,257,020**	50,560,747
	151,729,921	116,417,979
Available-for-sale financial assets	**400,000**	—
Financial liabilities		
Amortised cost		
Trade payables	**477,082**	1,607,901
Other payables and accrued charges	**23,741,133**	11,713,373
Amount due to a related company	**—**	1,601,686
Dividend payable to the shareholders of a subsidiary	**17,225,492**	17,225,492
Bank and other borrowings	**57,000,000**	35,000,000
	98,443,707	67,148,452

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Year ended 31 December 2007

39. SUBSIDIARIES

As at the balance sheet date, the particulars of the subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Best Era Assets Limited	BVI	US$1	—	100%	Investment holding
Sungreen Agro Strategic Holdings Limited	BVI	US$10,000	—	100%	Investment holding
Sungreen Investment Limited	BVI	US$1,000	100%	—	Investment holding
陝西巨川富萬鉀股份有限公司 Junchuan Fuwanjia	The PRC	RMB50,000,000	—	65%	Manufacture and distribution of organic potash fertilizers
陝西巨川環保農資有限公司	The PRC	RMB1,000,000	—	65%	Sales and distribution of organic potash fertilizers

None of the subsidiaries had issued any debt securities at the end of the year.

40. POST BALANCE SHEET EVENTS

Proposed acquisition

On 28 January 2008, the Group, Rixi International Limited ("Rixi"), a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Mr. Mei Wei (the "Ultimate Beneficial Owner") and the Ultimate Beneficial Owner entered into an acquisition agreement (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement, the Group has conditionally agreed to acquire the entire equity interest of Straight Upward Investments Limited ("Straight Upward"), a company established in the BVI with limited liability which is wholly-owned by Rixi, at a total consideration of HK$892.5 million.

The consideration of HK$892.5 million will be satisfied (i) as to HK$30 million in cash; (ii) as to HK$105.6 million by the issue of 19.2 million ordinary shares of HK$0.01 each; and (iii) as to HK$756.9 million by the issue of the convertible bonds.

Straight Upward is an investment holding company having an indirect 75% equity interest in 烏拉特中旗天寶礦業有限責任公司 Wulatezhong Qi Tianbao Mining Company Limited ("Tianbao Mining Company"), which in turn is principally engaged in the mining and processing of the mineral resources at a mine in Wulatezhong Qi, an autonomous region in Inner Mongolia of the PRC, with an aggregate mining area of 1.1014 km^2.

Details of the Acquisition Agreement are set out in the circular dated on 5 February 2008.

Placing of shares

On 6 March 2008, the Company and a substantial shareholder of the Company, Callaway Group Limited, entered into a conditional placing agreement to place up to 5,900,000 existing shares of the Company at the price of HK$10.17 per share. On 11 March 2008, 5,900,000 shares of the Company have been placed.