



SunGreen

Sungreen International Holdings Limited

綠陽國際控股有限公司

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

First Quarterly Report

2008



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Sungreen International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Achieved a turnover of approximately RMB42.1 million for the three months ended 31 March 2008, representing an approximately 17.7% increase as compared with that of the corresponding period in 2007.
- Profit of the Group attributable to equity holders of the parent for the three months ended 31 March 2008 amounted to approximately RMB3.2 million, representing an increase of approximately 9.6% over the corresponding period in 2007.
- The Directors do not recommend an interim dividend for the three months ended 31 March 2008.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

The board of directors of Sungreen International Holdings Limited (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2008, together with the comparative figures for the corresponding period in 2007 as follows:

		Three months ended 31 March	
	<i>Notes</i>	2008	2007
		RMB	<i>RMB</i>
		(unaudited)	<i>(unaudited)</i>
Revenue	2	42,125,242	35,802,486
Cost of sales		(27,649,646)	(23,571,990)
Gross profit		14,475,596	12,230,496
Other operating income		3,484,992	5,093,688
Selling and distribution costs		(6,648,184)	(7,808,981)
Administrative expenses		(3,654,114)	(3,438,186)
Profit from operations		7,658,290	6,077,017
Finance costs		(1,435,818)	(582,525)
Profit before tax		6,222,472	5,494,492
Income tax expenses	3	(563,196)	(599,335)
Profit for the period		5,659,276	4,895,157
Attributable to:			
Equity holders of the Company		3,228,146	2,944,857
Minority interest		2,431,130	1,950,300
		5,659,276	4,895,157
Dividends	4	—	—
Earnings per share	5		
Basic (cents per share)		3.99	3.68
Diluted (cents per share)		3.71	N/A

Notes:

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

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

The accounting policies adopted in preparing the unaudited consolidated results for the three months ended 31 March 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007. The consolidated results for the three months ended 31 March 2008 are unaudited but have been reviewed by the Company's audit committee.

2. REVENUE

The Group is engaged in the research and development, manufacture, sale and distribution of organic potash fertilisers. Revenue recognised during the three months ended 31 March 2008 are as follows:

	Three months ended 31 March	
	2008	2007
	RMB	RMB
	(unaudited)	(unaudited)
Sales of		
General use fertilisers	16,115,082	11,993,135
Specific use fertilisers		
— for vegetable use	6,125,044	10,819,940
— for fruit use	9,926,606	6,899,204
— for tobacco use	1,292,182	964,124
— for cotton use	5,197,819	2,890,221
— for seeding use	2,290,272	1,725,857
— for garlic use	—	139,557
— for golden tree use	164,881	370,448
— for growth	651,759	—
— for recovery	253,838	—
— for flower use	96,263	—
Acetylpropionic acid	11,496	—
	42,125,242	35,802,486

SUNGREEN INTERNATIONAL HOLDINGS LIMITED
FIRST QUARTERLY REPORT 2008

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

3. INCOME TAX EXPENSES

The amounts represented provision for the PRC Enterprise Income Tax ("EIT") on the Group's estimated assessable profit for the three months ended 31 March 2008 and 2007.

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

No provision of Hong Kong Profits Tax had been made for the period as the Company and its subsidiaries have no assessable profits arising in or deriving from Hong Kong.

There was no significant unprovided deferred taxation for the period or at the respective balance sheet dates.

4. DIVIDENDS

No dividend has been paid or declared by the Group for the three months ended 31 March 2008 (2007: Nil).

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Three months ended 31 March	
	2008	2007
	RMB	RMB
	(unaudited)	(unaudited)
Earnings		
Profit for the year attributable to equity holders of the Company	3,228,146	2,944,857
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	80,907,692	80,000,000
Effect of dilutive potential ordinary shares in respect of share options	6,220,548	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	87,128,240	80,000,000

SUNGREEN INTERNATIONAL HOLDINGS LIMITED
FIRST QUARTERLY REPORT 2008

6. SHARE CAPITAL AND RESERVES

	For the period ended 31 March 2008										
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Special reserve	Share-based compensation reserve	Retained profits	Sub-total	Minority interests	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
As at 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	—	—	—	—	1,751	—	—	—	1,751	—	1,751
Profit for the period	—	—	—	—	—	—	—	2,944,857	2,944,857	1,950,300	4,895,157
Appropriated from retained profits	—	—	—	—	—	—	—	—	—	—	—
As at 31 March 2007	848,000	77,200,638	6,782,518	7,735,665	(942,078)	(129,312)	—	16,580,254	108,075,685	42,238,770	150,314,455
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	12,853	—	—	—	12,853	—	12,853
Profit for the period	—	—	—	—	—	—	—	7,121,974	7,121,974	5,982,414	13,104,388
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)	—	—	—
As 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
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(498,038)	—	—	—	(498,038)	—	(498,038)
Profit for the period	—	—	—	—	—	—	—	3,228,146	3,228,146	2,431,130	5,659,276
Placing of shares	53,824	54,684,753	—	—	—	—	—	—	54,738,577	—	54,738,577
Expenses on placing of shares	—	(3,119,040)	—	—	—	—	—	—	(3,119,040)	—	(3,119,040)
Recognition of equity-settled share-based payment	—	—	—	—	—	—	15,735	—	15,735	—	15,735
Appropriated from retained profits	—	—	—	—	—	—	—	—	—	—	—
As at 31 March 2008	901,824	128,766,351	6,782,518	8,817,665	(1,427,263)	(129,312)	1,160,876	25,848,374	170,721,033	50,652,314	221,373,347

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

The Group's unaudited consolidated turnover for the three months ended 31 March 2008 amounted to approximately RMB42.1 million, representing an increase of approximately 17.7% over the corresponding period in 2007. The increase represented that the Group continued to execute the strategy to seek sustainable growth and business expansion. Consistent with this strategy, the Group launched several new products to the market during the three months ended 31 March 2008 to expand the customer base.

Gross Profit

Gross profit of the Group for the three months ended 31 March 2008 was approximately RMB14.5 million, representing an increase of approximately 18.4% over the corresponding period in 2007. The gross profit ratio for the period in 2008 and 2007 was approximately 34.4% and 34.2% respectively. A relatively stable gross profit ratio was observed in these two periods mainly because the operating environment for the Group as a whole is stable.

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.

Selling expenses for the three months ended 31 March 2008 amounted to approximately RMB6.6 million, representing a decrease of approximately 14.9% over the corresponding period. The decrease was mainly due to the reduction of advertising and promotion expenses. As the Group has already established a stable customer base, therefore, the Group limited the advertising and promotion expenses for the period.

Administrative expenses for the three months ended 31 March 2008 amounted to approximately RMB3.7 million, representing a slight increase of approximately 6.3% over the corresponding period, and it was considered reasonably stable.

Profit for the period attributable to equity holders of the parent

Profit attributable to the equity holders of the Company for the three months ended 31 March 2007 amount to approximately RMB3.2 million, representing an increase of approximately 9.6% over the corresponding period in 2007. The increase represented that the Group continued to develop its fertilizers business with steady growth.

Business Review

The overall business growth of the Group was satisfactory for the three months ended 31 March 2008. Due to the continuous growth in the PRC sales network, the Group recorded a growth in turnover during the three months ended 31 March 2008 comparing with the same period in 2007.

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 in 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 investment in the mining businesses in China will continue.

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

As at 31 March 2008, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as required to be notified to the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Name of director	Capacity	Number of Shares	Percentage of shareholding (%)
Zhuo Ze Fan	Held by controlled corporation (<i>Note</i>)	34,905,059	40.63

Note: These Shares were held by Callaway Group Limited which is wholly and beneficially owned by Mr. Zhuo Ze Fan, an executive Director and chairman of the Company. Callaway Group Limited held 34,905,059 Shares on the Listing Date and up to 31 March 2008. By virtue of the SFO, Mr. Zhuo was deemed to be interested in the Shares held by Callaway Group Limited.

Save as disclosed herein, as at 31 March 2008, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or were required to notify the Company and the Stock Exchange in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2008, 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 (%)
Mei Wei (<i>Note 1</i>)	Held by controlled corporation	156,818,181	182.56
Callaway Group Limited (<i>Note 2</i>)	Beneficial owner	34,905,059	40.63
Ms. Cui Yan Wen	Held by spouse	34,905,059	40.63
Yee Ka Yau Kenneth	Beneficial owner	7,357,000	9.19
Stichting Shell Pensioenfond	Investment manager	6,000,000	7.50
Ms. An Yu	Beneficial owner	4,793,285	5.99

Notes:

1. Mr. Mei Wei beneficially owned or controlled 100% of the issued share capital of Rixi International Limited and was deemed (by virtue of the SFO) to be interested in the Shares held by Rixi International Limited.
2. Callaway Group Limited is wholly and beneficially owned by Mr. Zhuo Ze Fan ("Mr. Zhuo"). Mr. Zhuo 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 March 2008.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee on 16 February 2005 with written terms of reference in compliance with the GEM Listing Rules. The authority and duties of the audit committee are based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The audit committee provides a link between the Board of Directors and the Company's auditors in matter coming within the scope of the Group audit. It also reviews and supervises the financial reporting process and internal control procedures of the Group. The members of the audit committee comprises three independent non-executive directors, namely Mr. Zhao Shou Guo, Mr. Ng Tang and Mr. Leung Yiu Wing.

The Group's unaudited consolidated results for the three months ended 31 March 2008 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards.

SUBSEQUENT EVENT

Proposed acquisition

On 28 January 2008, the Group, Rixi International Limited ("Rixi"), a company incorporated in the British Virgin Island ("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

SUNGREEN INTERNATIONAL HOLDINGS LIMITED
FIRST QUARTERLY REPORT 2008

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 1.1014km².

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

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

Xi'an City, Shaanxi Province, The People's Republic of China, 8 May 2008

As at the date of this report, the Board consists of three executive Directors, namely Mr. Zhuo Ze Fan, Ms. Xie Yi Ping and Dr. Yu Heng Xiang and three independent non-executive Directors, namely Mr. Zhao Shou Guo, Mr. Ng Tang and Mr. Leung Yiu Wing.