SunGreen

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

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

Interim 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.

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

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

HIGHLIGHTS

- Achieved a turnover of approximately RMB109.3 million for the six months ended 30 June 2008, representing an approximately 34.7% increase as compared with that of the corresponding period in 2007.

- As at 30 June 2008, the Group had bank balance and cash of approximately RMB82 million.

- The Directors do not recommend an interim dividend for the six months ended 30 June 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 six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007 as follows:

		Six months ended 30 June		**Three months ended 30 June**	
	Notes	**2008** ***RMB*** ***(unaudited)***	2007 *RMB* *(unaudited)*	**2008** ***RMB*** ***(unaudited)***	2007 *RMB* *(unaudited)*
Revenue	*3*	**109,304,486**	81,124,770	**67,179,244**	45,322,284
Cost of sales		**(79,459,331)**	(54,307,531)	**(51,809,685)**	(30,735,541)
Gross profit		**29,845,155**	26,817,239	**15,369,559**	14,586,743
Other operating income		**11,082,144**	11,656,195	**7,597,152**	6,562,507
Selling and distribution costs		**(15,054,196)**	(18,511,186)	**(8,406,012)**	(10,702,205)
Administrative expenses		**(8,842,937)**	(5,976,589)	**(5,188,823)**	(2,538,403)
Finance costs		**(2,713,822)**	(1,484,987)	**(1,278,004)**	(902,462)
Profit before tax		**14,316,344**	12,500,672	**8,093,872**	7,006,180
Income tax expenses	*4*	**(1,437,575)**	(1,243,825)	**(874,379)**	(644,490)
Profit for the period	*5*	**12,878,769**	11,256,847	**7,219,493**	6,361,690
Attributable to:					
Equity holders of the Company		**6,673,239**	6,801,430	**3,445,093**	3,856,573
Minority interest		**6,205,530**	4,455,417	**3,774,400**	2,505,117
		12,878,769	11,256,847	**7,219,493**	6,361,690
Dividends	*6*	**—**	—	**—**	—
Earnings per share,					
Basic (cents per share)	*7*	**1.60**	1.7	**0.80**	0.96
Diluted (cents per share)		**1.49**	—	**0.75**	—

UNAUDITED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2008 RMB (unaudited)	As at 31 December 2007 RMB (audited)
Non-current assets			
Intangible assets		**388,333**	810,833
Property, plant and equipment	*8*	**31,410,255**	32,633,456
Prepaid lease payments		**27,414,253**	27,728,255
Deposit paid for acquisition of property, plant and equipment		**43,349,600**	43,349,600
		102,562,441	104,522,144
Current assets			
Inventories		**8,779,173**	8,535,113
Trade receivables	*9*	**66,676,718**	41,563,715
Other receivables, deposits and prepayments		**52,954,832**	46,158,247
Available-for-sale investments		**400,000**	400,000
Prepaid lease payments		**633,227**	633,227
Balances with non-bank financial institutions		**—**	2,750,939
Bank balances and cash		**81,804,510**	61,257,020
		211,248,460	161,298,261
Current liabilities			
Trade payables	*10*	**1,281,888**	477,082
Other payables and accrued charges		**13,905,224**	23,741,133
Tax payable		**2,332,965**	1,111,687
Amount due to a related company		**263,436**	—
Dividend payable to the shareholders of a subsidiary		**17,225,492**	17,225,492
Bank borrowings — due within one year	*11*	**18,000,000**	27,000,000
		53,009,005	69,555,394
Net current assets		**158,239,455**	91,752,867
		260,801,896	196,265,011

UNAUDITED CONSOLIDATED BALANCE SHEET (Continued)

	Notes	**As at 30 June 2008 RMB (unaudited)**	As at 31 December 2007 RMB (audited)
Capital and Reserves			
Share capital	12	**901,824**	848,000
Reserves		**173,785,184**	115,507,653
Equity attributable to equity holders of the Company		**174,687,008**	116,355,653
Minority interest		**54,426,714**	48,221,184
Total equity		**229,113,722**	164,576,837
Non-current liabilities			
Bank borrowings — due after one year	11	**30,000,000**	30,000,000
Deferred taxation		**1,688,174**	1,688,174
		31,688,174	31,688,174

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008

	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Special reserve	Share-based compensation reserve	Retained profits	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
Profit for the period	—	—	—	—	—	—	—	6,801,430	6,801,430	4,455,417	11,256,847
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	21,187	—	—	—	21,187	—	21,187
As at 30 June 2007	848,000	77,200,638	6,782,518	7,735,665	(922,642)	(129,312)	—	20,436,827	111,951,694	44,743,887	156,695,581
Exchange difference arising on translation of foreign operations recognised directly in equity	—	—	—	—	(6,583)	—	—	—	(6,583)	—	(6,583)
Appropriated from retained profits	—	—	—	1,082,000	—	—	—	(1,082,000)	—	—	—
Recognition of equity-settled share-based payment	—	—	—	—	—	—	1,145,141	—	1,145,141	—	1,145,141
Profit for the period	—	—	—	—	—	—	—	3,265,401	3,265,401	3,477,297	6,742,698
As at 31 December 2007 and 1 January 2008	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	—	—	—	—	(1,778,495)	—	—	—	(1,778,495)	—	(1,778,495)
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	—	—	—	—	—	—	1,817,074	—	1,817,074	—	1,817,074
Profit for the period	—	—	—	—	—	—	—	6,673,239	6,673,239	6,205,530	12,878,769
As at 30 June 2008	901,824	128,766,351	6,782,518	8,817,665	(2,707,720)	(129,312)	2,962,215	29,293,467	174,687,008	54,426,714	229,113,722

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	RMB	*RMB*
	(unaudited)	*(unaudited)*
Net cash inflow/(outflow) from operating activities	**13,981,749**	(4,923,582)
Net cash outflow from investing activities	**(36,354,121)**	(14,441,830)
Net cash inflow from financing activities	**40,169,151**	23,000,000
Net increase in cash and cash equivalents	**17,796,779**	3,634,588
Effect of foreign exchange	**(228)**	21,187
Cash and cash equivalents at the beginning of the period	**64,007,959**	50,560,747
Cash and cash equivalents at the end of the period, representing bank balances and cash	**81,804,510**	54,216,522

Notes:

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

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

The accounting policies adopted in preparing the unaudited consolidated results for the six months ended 30 June 2008 is 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 six months ended 30 June 2008 are unaudited but have been reviewed by the Company's audit committee.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical costs basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2007. The consolidated results for the six months ended 30 June 2008 are unaudited but have been reviewed by the Company's audit committee.

In the current period, the Group has applied, for the first time, a number of new International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as "new IFRS") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for the Group's financial period beginning 1 January 2008. The adoption of the new IFRS has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

IAS 1 (Revised)	Presentation of Financial Statements[1]
IAS 23 (Revised)	Borrowings Costs[1]
IAS 27 (Revised)	Consolidated and Separate Financial Statement[2]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
IFRS 3 (Revised)	Business Combinations[2]
IFRS 8	Operating Segments[1]
IFRIC 13	Customer Loyalty Programmes[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008

3. REVENUE

The Group is engaged in the research and development, manufacture, sale and distribution of organic potash fertilisers. Revenue recognised during the three months and six months ended 30 June 2008 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Sales of				
General use fertilisers	**30,785,509**	23,038,240	**14,670,428**	11,045,105
Specific use fertilisers				
— for vegetable use	**11,734,381**	23,642,564	**5,609,337**	12,822,624
— for fruit use	**24,222,587**	17,875,486	**14,295,981**	10,976,282
— for tobacco use	**6,232,338**	3,844,942	**4,940,156**	2,880,818
— for cotton use	**17,567,915**	9,583,950	**12,370,096**	6,693,729
— for seeding use	**3,236,047**	2,358,069	**945,775**	632,212
— for garlic use	**—**	139,557	**—**	—
— for golden tree use	**236,528**	628,157	**71,647**	257,709
— for banana use	**—**	13,805	**—**	13,805
— for growth	**678,956**	—	**27,197**	—
— for recovery	**253,840**	—	**—**	—
— for flower use	**99,428**	—	**3,165**	—
Diamine	**14,215,300**	—	**14,215,300**	—
Acetypropionic acid	**41,657**	—	**30,162**	—
	109,304,486	81,124,770	**67,179,244**	45,322,284

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.

4. 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 and the six months ended 30 June 2008 and 2007 respectively.

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

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

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

5. PROFIT FOR THE PERIOD

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

	Six months ended 30 June		**Three months ended 30 June**	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Amortisation of intangible assets	**422,500**	422,500	**211,250**	211,250
Amortisation of prepaid lease payment				
— charged to consolidated income statement	**46,274**	46,076	**23,137**	23,038
— capitalised in properties under development	**267,729**	267,729	**133,865**	133,865
Depreciation of property, plant and equipment	**2,574,564**	2,530,078	**1,276,189**	1,265,618
	3,308,067	3,266,383	**1,644,441**	1,633,771

6. DIVIDENDS

No dividend has been paid or declared by the Group for the six months ended 30 June 2008 (2007: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June		Three months ended 30 June	
	2008	2007	**2008**	2007
	RMB	*RMB*	***RMB***	*RMB*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Earnings				
Profit for the year attributable to equity holders of the Company	**6,673,239**	6,801,430	**3,445,093**	3,856,573
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings per share	**417,019,231**	400,000,000	**429,500,000**	400,000,000
Effect of dilutive potential ordinary shares in respect of share options	**31,399,131**	—	**31,644,464**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**448,418,362**	400,000,000	**461,144,464**	400,000,000

The number of weighted average number of ordinary shares for the purposes of basic earnings per share for the six months ended 30 June 2007 and three months ended 30 June 2007 were adjusted for the effect of the shares sub-division as set out in note 12.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired approximately RMB1,477,994 property, plant and equipment for group expansion.

During the period, the Group disposed of certain leasehold improvement, motor vehicles and furniture, fixtures and equipment with a carrying amount of RMB97,180 for proceeds of RMB44,530, resulting in a loss on disposal of RMB52,650.

9. TRADE RECEIVABLES

The Group allows a credit period from 30 days to 180 days to its trade customers. However, for certain customers with long established relationship and good past payment histories, a longer credit period may be granted. The following is an aged analysis of trade receivables (net of impairment losses) at the balance sheet date:

	As at 30 June 2008	As at 31 December 2007
	RMB	*RMB*
	(unaudited)	*(audited)*
Aged:		
0–60 days	**30,520,168**	11,820,539
61–120 days	**23,020,383**	18,793,536
121–180 days	**12,590,001**	9,998,001
181–365 days	**546,166**	951,639
Over 365 days	**—**	—
	66,676,718	41,563,715

10. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	As at 30 June 2008	As at 31 December 2007
	RMB	*RMB*
	(unaudited)	*(audited)*
Aged:		
0–90 days	**1,266,727**	117,636
91–180 days	**5,500**	156,744
181–365 days	**1,900**	125,913
Over 365 days	**7,761**	76,789
	1,281,888	477,082

11. BANK BORROWINGS

During the period, the Group had repaid and raised bank loans of RMB27,000,000 and RMB18,000,000 respectively. At 30 June 2008, the Group had outstanding bank loans of RMB48,000,000. The proceeds were used to finance the daily operations of the Group.

12. SHARE CAPITAL

	Number of shares	Present Value HK$
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2007 and 1 January 2008	5,000,000,000	50,000,000
Subdivision of shares *(Note 2)*	20,000,000,000	—
Ordinary shares of HK$0.002 each	25,000,000,000	50,000,000
Ordinary shares of HK$0.002 each at 30 June 2008	25,000,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 January 2007 and 1 January 2008	80,000,000	800,000
Issue of shares *(Note 1)*	5,900,000	59,000
Ordinary shares of HK$0.01 each	85,900,000	859,000
Subdivision of shares *(Note 2)*	343,600,000	—
Ordinary shares of HK$0.002 each	429,500,000	859,000
Ordinary shares of HK$0.002 each at 30 June 2008	429,500,000	859,000
In RMB equivalent		901,824

Notes:

1. A placing agreement was entered into with an independent placing agent ("Placing Agent") under which the Company has appointed the Placing Agent to place 5,900,000 ordinary shares (equivalent to 29,500,000 shares of the Company after the share subdivision) of HK$0.01 each ("Placing Shares") in the Company at a price of HK$10.17 per Placing Share. The net proceeds will be used for working capital. The transaction was completed on 11 March 2008.

   Details of the above are set out in the announcements to the shareholders of the Company dated 6 March 2008 and 17 March 2008.

2. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 24 April 2008, a share subdivision was effected on 25 April 2008 such that every ordinary share of HK$0.01 each in the issued and unissued share capital of the Company was subdivided into five subdivided shares of HK$0.002 each by the creation of 343,600,000 subdivided shares based on the number of issued ordinary shares at that time.

13. CONTINGENCIES AND COMMITMENTS

As at 30 June 2008, the Group had the following contingencies and commitments

(I) Contingencies

	As at 30 June 2008 ***RMB*** ***(unaudited)***	As at 31 December 2007 *RMB* *(audited)*
Guarantees given to banks in respect of general banking facilities granted to third parties	**20,000,000**	20,000,000

(II) Capital commitments

	As at 30 June 2008 ***RMB*** ***(unaudited)***	As at 31 December 2007 *RMB* *(audited)*
Capital expenditure authorised but not contracted for in respect of development project of additional plant and machinery for the expansion in the production capacity	**1,429,290**	1,429,290
Capital expenditure contracted but not provide for in respect of development project of additional plant and machinery for the expansion in the production capacity	**40,203,710**	40,203,710

14. PLEDGE OF ASSETS

As at 30 June 2008, the Group has pledged its prepaid lease payment, buildings and plant and machinery of approximately RMB41,448,593 for the banking facilities granted by the banks to the Group. As at 31 December 2007, the Group had pledged its prepaid lease payments and plant and machinery of approximately RMB41,972,579 for the banking facilities granted by the banks to the Group.

15. SUBSEQUENT EVENTS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 30 June 2008, it was passed in relation to an acquisition agreement entered into among 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. Pursuant to the acquisition agreement, the Group will 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 acquisition was completed on 4 July 2008.

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 (equivalent to 96,000,000 shares of HK$0.002 each of the Company after the share sub-division); and (iii) as to HK$756.9 million by the issue of the convertible bonds.

On 9 July 2008, the 19.2 million ordinary shares of HK$0.01 each (equivalent to 96,000,000 shares of HK$0.002 each of the Company after the share sub-division) was issued.

Straight Upward is an investment holding company having an indirect 75% equity interest in 巴盟烏中旗甲勝盤鉛鋅硫鐵礦業開發有限責任公司 Bameng Wuzhong Qi Jiashengpan Zinc, Lead and Pyrite Resources Exploitation Company Limited ("Bameng Wuzhong Qi"), 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 13 June 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

The Group's unaudited consolidated turnover for the six months ended 30 June 2008 amounted to approximately RMB109.3 million, representing an increase of approximately 34.7% over the corresponding period in 2007. The increase represented that the Group has successfully executed the strategy of seeking sustainable growth and business expansion in the market. Consistent with this strategy, the Group launched several new products to the market during the six months ended 30 June 2008 in order to expand the customer base.

Gross Profit

Gross profit of the Group for the six months ended 30 June 2008 was approximately RMB29.8 million, representing an increase of approximately 11.3% over the corresponding period in 2007. The Group's gross profit margin for the period was approximately 27.3%, whilst the Group's gross profit margin was approximately 33.1% for the same period in 2007. Decrease in gross profit margin was mainly due to launching of a new product during the period. Although the new product has a lower profit margin in comparing with other existing products, it contributed 13% of the total turnover for the Group for the period. The management believed that the new product has great potential for growth in the market, therefore, the Group will continue to develop this new product. Other than that, a relatively stable GP ratio was observed for the existing products between the two periods.

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 six months ended 30 June 2008 amounted to approximately RMB15.1 million, representing a decrease of approximately 18.7% over the corresponding period in 2007. The decrease was mainly because of the decrease in advertising and promotion expenses, as the Group has already established a customer's base, therefore, the Group limited the advertising and promotion expenses for the period.

Administrative expenses for the six months ended 30 June 2008 amounted to approximately RMB8.8 million, representing an increase of approximately 48% over the corresponding period in 2007. The increase was mainly due to (i) recognition of share-based payment for stock option in amount of RMB1.8 million, (ii) office removal expenses, and (iii) legal and professional fees regarding to share sub-division such as accounting, professional advisers, and printing costs. After deducting the above-mentioned expenses which were non-recurring in nature, the recurring administrative expenses were considered stable in comparing with last period in 2007.

Profit for the period attributable to equity holders of the parent

Profit attributable to the equity holders of the Company for the six months ended 30 June 2008 amount to approximately RMB6.7 million, representing a slight decrease of approximately 1.9% over the corresponding period in 2007. The decrease was mainly due to the non-recurring administrative expenses incurred during this period, as mentioned in the note above. The core business earnings attributable to equity holders of the parent after excluding the non-recurring administrative expenses amounted to RMB9 million, representing an increase of 32.4% over the same period last year.

Liquidity

As at 30 June 2008, the Group had cash and bank balances of approximately RMB81.8 million, representing approximately 39.1% of its current assets and 26.3% of its total assets. As at 30 June 2008, the Group had outstanding bank borrowings of RMB48.0 million. The Group's current ratio and gearing ratio, expressing as current assets over current liabilities and total liabilities excluding minority interests over total assets of the Group respectively, are approximately 395.6% and 27.1%. The Directors are of the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure.

Business Review

The overall business growth of the Group was satisfactory for the six months ended 30 June 2008. Due to the continuous growth in the PRC sales network, the Group recorded a growth in turnover during the six months ended 30 June 2008 comparing with the same period in 2007.

Prospect

In an effort to broaden the revenue and earnings base of the Group, it began to explore other investment opportunities within China. Given that China is the world's largest consumer and producer of lead and zinc, the Group believes the zinc and lead mining industry will provide potential investment opportunities required by the Group. To this end, the Group entered into agreement in January 2008 to acquire a zinc and lead mine located in Inner Mongolia. The acquisition was concluded on 4 July 2008.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE LOAN NOTES

At 30 June 2008, the interests and short positions of the directors and the chief executive and their associates in the shares and/or underlying shares 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of GEM Listing Rules 5.46 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	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 30 June 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 30 June 2008, none of the directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and convertible loan notes 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 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interest disclosed in "Directors' and chief executives' interests and short position in shares, underlying shares and convertible loan notes", the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name of substantial shareholder	**Capacity**	**Number of Shares**	**Percentage of shareholding** *(%)*
Mei Wei *(Note 1)*	Held by controlled corporation	156,818,181	182.56
Callaway Group Limited *(Note 2)*	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 Pensioenfonds	Investment manager	6,000,000	7.50
Ms. An Yu	Beneficial owner	5,714,285	7.14

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 ("Ms. Cui"). 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 30 June 2008.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2008 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules with certain deviations in respect of the distinctive roles of chairman and chief executive officer as described in the 2007 annual report. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhuo Ze Fan, and believes that his appointment to the posts of Chairman and General Manager is beneficial to the business prospects of the Company. Also, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard of dealings and its code of conduct regarding directors' securities transactions.

FOREIGN EXCHANGE EXPOSURE

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

SHARE OPTION SCHEME

The Company has adopted a share option scheme. A summary of the principal terms and conditions of the share option scheme is set out in note 30 to the 2007 annual financial statements. During the six months ended to 30 June 2008, 4,800,000 shares has been granted pursuant to such share option scheme.

INTERESTS IN COMPETITORS

During the six months ended 30 June 2008, none of the Directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2008, the Group had approximately 216 employees. The Group has maintained good relations with its staff and has not experienced any disruption of its operations due to labour disputes. The Group provides fringe benefits in accordance with the relevant laws and regulations of the PRC and Hong Kong including contributions to society security scheme of the PRC and the contributions to the Mandatory Providers Fund Scheme of Hong Kong. The Group remunerated its employees in accordance with their work performance and experience.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PLEDGE OF ASSETS

At 30 June 2008, the Group has pledged its prepaid lease payments, buildings and plant and machinery of approximately RMB41,448,593 for the banking facilities granted by the banks of the Group.

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. Chau Kam Wing, Donald and Mr. Yang Rui.

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

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

Xi'an City, Shaanxi Province, The People's Republic of China, 7 August 2008

As at the date hereof, the executive directors of the Company are Mr. Zhuo Ze Fan, Ms. Xie Yi Ping, Mr. Yu Heng Xiang and Mr. Ng Tang; the independent non-executive directors of the Company are Mr. Zhao Shou Guo, Mr. Chau Kam Wing, Donald and Mr. Yang Rui.