



CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

世紀陽光生態科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8276)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2006**

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This announcement, for which the directors (the “Directors” and individually a “Director”) of Century Sunshine Ecological Technology 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 purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:—(1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHT

Turnover of the Group for the three months ended 31 March 2006 amounted to RMB49,820,000, representing an increase of 94% over the corresponding period of 2005.

Profit for the period under review increased by 82% to RMB17,038,000 as compared to the corresponding period of 2005.

The Group has recently announced to increase the selling prices of its premium organic fertilizer and organic compound fertilizer by 12% and 15% respectively, with effect from 1 May 2006.

The first phase of our new production plant with a capacity of 200,000 tons organic fertilizers in Yunxiao, Fujian province is under construction as planned and the Directors expect the new plant to be completed on schedule in December 2006.

CONSOLIDATED RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 31 March 2006, together with the unaudited comparative figures for the corresponding period of 2005 as follows:

		Three months ended	
		31 March	
		2006	2005
		RMB'000	RMB'000
	Notes	(unaudited)	(unaudited)
Sales	3	49,820	25,714
Cost of sales		(24,939)	(10,656)
Gross profit		24,881	15,058
Other gain		744	318
Selling and marketing costs		(1,097)	(912)
Administrative expenses		(5,060)	(3,304)
Operating profit		19,468	11,160
Finance costs		(228)	(141)
Profit before taxation		19,240	11,019
Income tax expenses	4	(2,202)	(1,646)
Profit for the period		17,038	9,373
Attributable to:			
Equity holders of the Company		17,038	9,373
Minority interests		—	—
Dividend	5	—	—
Earnings per share:			
Basic	6	RMB4.3 cents	RMB2.9 cents
Diluted	6	RMB4.1 cents	RMB2.9 cents

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 January 2003 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Group is principally engaged in the research and development, production and sale of organic fertilizers and bio-pesticides.

The Company has its primary listing on the GEM of the Stock Exchange since 17 February 2004 (the "Listing Date").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated accounts have been prepared to comply with the disclosure requirement of the GEM Listing Rules.

Principal accounting policies adopted by the Group in arriving at the financial information set out in this announcement are the same as those adopted in preparing the 2005 annual financial statements except the adoption of revised Hong Kong Financial Reporting Standards ("HKFRS") which are effective for accounting periods commencing on or after 1 January 2006. The effect of the newly adopted standard of HKAS 21 Amendment "The Effects of Changes in Foreign Exchange Rates-Net Investment in a Foreign Operation" is insignificant to the Group's results.

The Group has not early adopted the following new/revised standards that have been issued but are not effective. The Group is in the process of making an assessment of the impact of these new/revised standards to the Group's results and financial position in the period of initial adoption.

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

The consolidated results are unaudited but have been reviewed by the audit committee of the Board (the "Audit Committee").

3. SALES

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue recognized during the three months ended 31 March 2006 with the comparative figures for the corresponding period of 2005 are as follows:

	Three months ended 31 March	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Sales of:		
– Microbial compound fertilizers	13,419	10,645
– Organic tea fertilizers	9,328	8,634
– Eucalypt tree organic fertilizers	17,041	–
– Premium organic fertilizers	5,746	2,389
– Organic compound fertilizers	3,820	3,983
	<hr/>	<hr/>
	49,354	25,651
– Bio-pesticides	466	63
	<hr/>	<hr/>
Total revenues	<u>49,820</u>	<u>25,714</u>

No business segment information is presented for the period ended 31 March 2005 and 2006 as the total revenue, segment results and segment assets of the bio-pesticides segment is less than 10 per cent of the Group's revenue, profit for the period and total assets. Accordingly, the bio-pesticides segment is not identified as a reportable segment in accordance with HKAS14.

No geographical segment information is presented as the Group's business is carried out in the PRC.

4. TAXATION

The amount of taxation charged to the unaudited consolidated income statement represents:

	Three months ended	
	31 March	
	2006	2005
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong profits tax	–	–
– Mainland China enterprises income tax	2,202	1,646
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	2,202	1,646
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(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the period (2005: Nil).

(b) Mainland China enterprise income tax ("Mainland China EIT")

The subsidiaries established in Mainland China are subject to Mainland China EIT at rates ranging from 27% to 33%. Green Land Bio-Products Co. Ltd. ("Green Land"), Century Sunshine (Nan Ping) Biology Engineering Co. Ltd. ("Nan Ping") and Century Sunshine (Jiangxi) Ecological Technology Limited ("Jiangxi") are wholly owned foreign enterprises engaged in the production and sale of organic fertilizers with operating periods of more than ten years, and in accordance with the relevant income tax regulations of Mainland China, are fully exempted from Mainland China EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in Mainland China EIT for the next three years. The first profitable year after offsetting prior year losses of Green Land, Nan Ping and Jiangxi were 31 December 2003, 31 December 2004, and 31 December 2005 respectively. 世紀陽光(福建)農業科技發展有限公司, Century Sunshine (Zhangzhou) Ecological Technology Limited and Excellent Pesticide (Nanchang) Limited were loss making during the period.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, are exempted from the British Virgin Islands income tax.

5. DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2006 (2005: Nil).

6. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 31 March	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Profit attributable to equity holders of the Company	17,038	9,373
Weighted average number of ordinary share in issue (<i>thousand</i>)	398,405	320,000
Basic earnings per share (<i>RMB per share</i>)	<u>4.3 cents</u>	<u>2.9 cents</u>

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

	Three months ended 31 March	
	2006 RMB'000 (unaudited)	2005 RMB'000 (unaudited)
Profit attributable to equity holders of the Company	17,038	9,373
Weighted average number of ordinary share in issue (<i>thousand</i>)	398,405	320,000
Adjustment for share options (<i>thousand</i>)	<u>17,968</u>	<u>4,233</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousand</i>)	416,373	324,233
Diluted earnings per share (<i>RMB per share</i>)	<u>4.1 cents</u>	<u>2.9 cents</u>

7. SHARE CAPITAL AND RESERVE

Movement in share capital and reserve during the three months ended 31 March 2006 is as follows:

	Attributable to equity holders of the Company				Total RMB'000 (unaudited)
	Share capital and premium RMB'000 (unaudited)	Other reserve RMB'000 (unaudited)	Retained earnings RMB'000 (unaudited)	Minority interest RMB'000 (unaudited)	
Balance at 1 January 2005, as restated	37,291	19,942	54,447	3	111,683
Profit for the period	–	–	9,373	–	9,373
Share option scheme					
– value of employee services	–	810	–	–	810
Exchange difference	–	(3)	–	–	(3)
Balance at 31 March 2005	<u>37,291</u>	<u>20,749</u>	<u>63,820</u>	<u>3</u>	<u>121,863</u>
Balance at 1 January 2006	179,713	29,972	102,401	3	312,089
Profit for the period	–	–	17,038	–	17,038
Share option scheme					
– value of employee services	–	1,081	–	–	1,081
Exchange difference	–	(97)	–	–	(97)
Disposal of subsidiaries	–	–	–	(3)	(3)
Balance at 31 March 2006	<u>179,713</u>	<u>30,956</u>	<u>119,439</u>	<u>–</u>	<u>330,108</u>

FINANCIAL AND BUSINESS REVIEW

For the three months ended 31 March 2006, the Group's turnover amounted to RMB49,820,000, representing an increase of 94% from the same period last year. Total sales volume reached 30,000 tons, representing an increase of 88% from last year. The significant increase in turnover was attributable to the strong market demand. The significant increase in sales volume was primarily attributable to the capacity expansion by the Nanchang plant that was put into operation in May 2005.

Our six major products, being eucalypt tree organic fertilizer, microbial compound fertilizer, organic tea fertilizer, premium organic fertilizer, organic compound fertilizer and bio-pesticide accounted for about 34%, 27%, 19%, 11%, 8% and 1% respectively of the total sales.

Gross profit amounted to RMB24,881,000, representing an increase of 65% from the corresponding period of last year. Gross profit margin was about 50%, representing a slight decline of 1% as compared to the average gross profit margin of 2005.

For the three-month period, total operating expenses amounted to RMB6,157,000, representing an increase of 46% from last year. Detailed analysis is as follows:

Selling and marketing costs

Selling and marketing costs amounted to RMB1,097,000, representing an increase of 20% from the same period last year. The increase was primarily due to the recruitment of additional sales personnel and increased marketing activities following the production capacity expansion by the Nanchang plant in May 2005.

Administrative expenses

Administrative expenses amounted to RMB5,060,000, representing an increase of 53% from the same period last year. The increase was primarily due to salary increase by new recruitments of administrative staff and general expenses incurred following the capacity expansion by Nanchang plant.

The Group's profit attributable to the equity holders of the Company for the three-month period amounted to RMB17,038,000, representing an increase of 82% from the same period last year. The net profit margin was about 34%.

BUSINESS OUTLOOK

Production increase

We expect that the market demand for organic fertilizers to remain strong for the rest of the year. Our three factories are to contribute their full capacities this year.

The Yunxiao plant is currently under construction as scheduled. The first phase of the plant with 200,000 tons capacity is expected to be completed by December 2006.

Selling price rise

Starting from 1 May 2006, we raised the selling prices of two types of our products, premium organic fertilizer and organic compound fertilizer, by 12% and 15% respectively. As a result, our sales and profit will be affected positively.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 March 2006, the relevant interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

1. Long positions in the shares of the Company

Name of Director	Number of ordinary shares held			Type of interest	Percentage of issued share capital of the Company
	Personal interests	Corporate interest	Total		
Chi Wen Fu	1,210,000	193,696,970 <i>(Note 1)</i>	194,906,970	Beneficial owner	48.92%
Zhou Xing Dun	1,400,000	–	1,400,000	Beneficial owner	0.35%
Wu Wen Jing, Benjamin	3,880,000	–	3,880,000	Beneficial owner	0.97%
Kwong Ping Man	235,000	–	235,000	Beneficial owner	0.06%

Note:

- These shares are held by Alpha Sino International Limited (“Alpha Sino”) which is 90% beneficially owned by Chi Wen Fu.

2. Directors' interests in associated corporations

Name of Director	Name of associated corporation	Number of shares held	Type of interest	Percentage of interest
Chi Wen Fu	Alpha Sino	9	Beneficial owner	90%
Shum Sai Chit	Alpha Sino	1	Beneficial owner	10%

Note:

- The entire issued share capital of Alpha Sino is beneficially owned at to 90% and 10% by Chi Wen Fu and Shum Sai Chit respectively.

Save as disclosed above, as at 31 March 2006, none of the Directors or chief executive of the Company or their respective associates had interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITION OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 March 2006, persons who had interests or short positions in the shares or underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Nature	Number of shares	Percentage of issued share capital of the Company
Chi Wen Fu	Long position	194,906,970 <i>(Note 1)</i>	48.92%
Alpha Sino	Long position	193,696,970 <i>(Note 2)</i>	48.62%

Notes:

- Chi Wen Fu has interest in an aggregate of 194,906,970 shares of the Company of which (a) 1,210,000 shares of the Company are beneficially owned by him and registered in his name; and (b) 193,696,970 shares of the Company are deemed corporate interests by virtue of his holding of 90% of the issued share capital of Alpha Sino which entitled him to exercise or control the exercise of one-third or more of the voting power at general meeting of Alpha Sino.
- The entire issued share capital of Alpha Sino is beneficially owned as to 90% and 10% by Chi Wen Fu and Shum Sai Chit respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period under review, none of the Directors nor the management shareholders of the Company nor 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.

SPONSOR'S INTEREST

In accordance with the sponsor's agreement dated 4 February 2004 entered between the Company and CSC Asia Limited (the "Sponsor"), the Sponsor has received and shall receive an annual fee for acting as the Company's retained sponsor for the period from the Listing date to 31 December 2006.

To the best knowledge of the Sponsor, none of the Sponsor, its directors, employee or associates (as defined in the GEM Listing Rules) had any interest in the shares of the Company or any right to subscribe for or to nominate persons to subscribe for any shares of the Company as at 31 March 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted in accordance with the GEM Listing Rules.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the internal and external audit and of internal controls and risk evaluation. The Audit Committee has three members comprising all the independent non-executive Directors, namely Messrs. Shen Yi Min, Cheung Sound Poon and Kwong Ping Man. Mr. Cheung Sound Poon is the chairman of the Audit Committee.

During the three months ended 31 March 2006, the Audit Committee held a meeting for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board.

The Group's unaudited consolidated results for the three months ended 31 March 2006 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results was complied with the applicable accounting standard.

By order of the Board
Chi Wen Fu
Chairman

Hong Kong, 12 May 2006

As at the date hereof, the executive directors of the Company are Mr. Chi Wen Fu, Mr. Shum Sai Chit and Mr. Zhou Xing Dun; the non-executive directors are Ms. Zou Li, Ms. Wong May Yuk, Mr. Wu Wen Jing, Benjamin and Ms. Chi Bi Fen and the independent non-executive directors are Mr. Shen Yi Min, Mr. Cheung Sound Poon and Mr. Kwong Ping Man.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the day of its posting.