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**世纪阳光**

**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 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.**

**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 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 in order to obtain up-to-date information on GEM-listed issuers.**

*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 2007 amounted to RMB58,097,000, representing an increase of 17% over the corresponding period of 2006.

Profit attributable to equity holders for the three months ended 31 March 2007 increased by approximately 14% to RMB19,484,000 as compared to the corresponding period of 2006.

The research and development of humic acid organic fertilizer for wind protection tree is at its final stage. It is expected that this product will be formally launched to the market by the end of this year.

## 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 2007, together with the unaudited comparative figures for the corresponding period of 2006 as follows:

		Three months ended 31 March	
		2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
	<i>Notes</i>		
Sales	2	58,097	49,820
Cost of sales		(29,361)	(24,939)
Gross profit		28,736	24,881
Selling and marketing costs		(1,048)	(1,097)
Administrative expenses		(5,461)	(5,060)
Operating profit		22,227	18,724
Finance income		3,128	744
Finance costs		(950)	(228)
Profit before income tax		24,405	19,240
Income tax expense	3	(4,921)	(2,202)
Profit for the period, attributable to equity holders of the Company		19,484	17,038
Earnings per share for profit attributable to equity holders of the Company: (expressed in RMB per share)			
Basic	4	0.91 cents	0.86 cents
Diluted	4	0.87 cents	0.82 cents
Dividend	5	—	—

Notes:

## 1. Basis of preparation and accounting policies

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

Principal accounting policies adopted by the Group in arriving at the financial information set out in this announcement are consistent with those adopted in the annual accounts for the year ended 31 December 2006. The Group has adopted new/revised standards and interpretations of Hong Kong Financial Reporting Standard, which are effective for accounting periods commencing on or after 1 January 2007. The adoption of those standards does not have significant impact on the accounting policies of the Group.

The consolidated results for the three months ended 31 March 2007 are unaudited but have been reviewed by the audit committee of the Board (the “Audit Committee”).

## 2. Sales

The Group is principally engaged in research and development (“R&D”), production and sale of organic fertilizers and bio-pesticides. Revenue recognized during the three months ended 31 March 2007 with the comparative figures for the corresponding period of 2006 are as follows:

	Three months ended	
	31 March	
	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Sales of:		
– Microbial compound fertilizer	14,652	13,419
– Organic tea fertilizer	10,456	9,328
– Premium organic fertilizer	7,727	5,746
– Organic compound fertilizer	3,921	3,820
– Humic acid organic fertilizer	18,732	17,041
	<hr/>	<hr/>
	55,488	49,354
	<hr/>	<hr/>
– Bio-pesticides	2,609	466
	<hr/>	<hr/>
Total revenues	<u>58,097</u>	<u>49,820</u>

No business segment information is presented for the three months ended 31 March 2006 and 2007 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.

### 3. Income tax expense

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

	Three months ended	
	31 March	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax		
– Hong Kong profits tax	–	–
– Mainland China enterprises income tax	4,921	2,202
	<u>4,921</u>	<u>2,202</u>

(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 (2006: 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”), Century Sunshine (Jiangxi) Ecological Technology Limited (“Jiangxi”) and Excellent Pesticide (Nanchang) Limited are wholly owned foreign enterprises 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. Century Sunshine (Fujian) Agriculture Technology Development Limited and Century Sunshine (Zhangzhou) Ecological Technology 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. Century Sunshine (Australia) Limited (formerly known as Century Sunshine (Australia) Ecological Technology Limited) is incorporated in Australia and was loss making during the period.

#### 4. 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.

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>(unaudited)</b>	<i>(unaudited)</i>
Profit attributable to equity holders of the Company (RMB'000)	<u>19,484</u>	<u>17,038</u>
Weighted average number of ordinary shares in issue, adjusted for the effect of the share subdivision (thousand)	<u>2,149,803</u>	<u>1,992,025</u>
Basic earnings per share (RMB per share)	<u><b>0.91 cents</b></u>	<u>0.86 cents</u>

##### *Diluted*

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>(unaudited)</b>	<i>(unaudited)</i>
Profit attributable to equity holders of the Company (RMB'000)	<u>19,484</u>	<u>17,038</u>
Weighted average number of ordinary shares in issue, adjusted for the effect of the share subdivision (thousand)	<u>2,149,803</u>	<u>1,992,025</u>
Adjustment for share options (thousand)	<u>78,961</u>	<u>89,840</u>
Weighted average number of ordinary shares for diluted earnings per share, adjusted for the effect of the share subdivision (thousand)	<u>2,228,764</u>	<u>2,081,865</u>
Diluted earnings per share (RMB per share)	<u><b>0.87 cents</b></u>	<u>0.82 cents</u>

## 5. Dividend

The Board does not recommend a payment of a dividend for three months ended 31 March 2007 (2006: Nil).

## 6. Share capital and reserves

Movement in share capital and reserves during the three months ended 31 March 2007 is as follows:

	Attributable to equity holders of the Company							Total
	Share capital and premium	Employee Capital compensation reserves	Employee reserves	Statutory reserves	Currency translation reserves	Retained earnings	Minority interest	
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Balance at 1 January 2006	179,713	11,965	2,733	15,237	37	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>11,965</u>	<u>3,814</u>	<u>15,237</u>	<u>(60)</u>	<u>119,439</u>	<u>–</u>	<u>330,108</u>
<b>Balance at 1 January 2007</b>	<b>199,897</b>	<b>11,965</b>	<b>3,292</b>	<b>26,892</b>	<b>26</b>	<b>195,636</b>	<b>–</b>	<b>437,708</b>
Issuance of new shares	446,740							446,740
Profit for the period						19,484		19,484
Share option scheme								
– value of employee services			453					453
<b>Balance at 31 March 2007</b>	<b><u>646,637</u></b>	<b><u>11,965</u></b>	<b><u>3,745</u></b>	<b><u>26,892</u></b>	<b><u>26</u></b>	<b><u>215,120</u></b>	<b><u>–</u></b>	<b><u>904,385</u></b>

## **FINANCIAL AND BUSINESS REVIEW**

The Group's turnover amounted to RMB58,097,000 for the three months ended 31 March 2007, representing an increase of 17% from the same period of last year. During the period, the sale volume of organic fertilizer products increased by 11% to 33,300 tons.

Each of our five major products, being microbial compound fertilizer, organic tea fertilizer, premium organic fertilizer, organic compound fertilizer and humic acid organic fertilizer accounted for about 25%, 18%, 13%, 7% and 32% respectively of the total sales. The bio-pesticides business recorded a strong business growth. Its turnover increased by 5.6 times to RMB2,609,000 and accounted for about 5% of the total sales.

Gross profit amounted to RMB28,736,000, representing an increase of 15% from the corresponding period of last year. Gross profit margin was about 49%.

For the three-month period, total operating expenses amounted to RMB6,509,000, representing an increase of 6% from last year and the operating margin was about 38%. Detailed analysis is as follows:

### **Selling and marketing costs**

Selling and marketing costs slightly decreased by 4% to RMB1,048,000. Advertising cost during the period was minimal as most of the advertising activities were carried out in peak seasons. The salary and sales commission accounted for 97% of the selling and marketing costs.

### **Administrative expenses**

Administrative expenses amounted to RMB5,461,000, representing an increase of 8% from the same period last year. During the period, we continued our existing R&D projects for bio-pesticides. The R&D cost increased to RMB1,028,000 and accounted for about 19% of the total administrative expenses. Salary and professional expenses accounted for 24% and 10% of the total administrative expenses respectively.

The Group's profit attributable to the equity holders of the Company for the three-month period amounted to RMB19,484,000, representing an increase of 14% from the same period last year. The net profit margin was about 34%.

### **Share placement and subscription**

In February 2007, we completed a shares placement of 300 million existing shares through Morgan Stanley & Co. International Limited and a subscription of 250 million new shares by Alpha Sino International Limited. The net proceeds from the subscription of 250 million new shares were approximately HK\$456 million and were intended to be used to finance future expansion as well as general working capital. After the share placement, our capital base was strengthened significantly.

## **BUSINESS OUTLOOK**

### **Construction of Yunxiao Plant**

The construction of the first phase of Yunxiao Plant was completed in March 2007. It is currently undergoing the environmental appraisal procedure under the requirement of the Chinese Government. The machinery installation and production will be immediately followed by the completion of the appraisal procedure. The first phase of Yunxiao plant will have an annual capacity of 200,000 tons upon commencement of operation.

### **Humic acid organic fertilizer for wind protection tree**

The R&D of humic acid organic fertilizer for wind protection tree is at its final stage. We have already obtained the relevant testing report from the Bureau of Agriculture of Fujian Province. We are in the process of product registration with the relevant Chinese authorities. It is expected that this product to be formally launched to the market by the end of this year.

### **Capacity expansion**

It is our primary objective to achieve one-million tons of capacity through both organic growth and acquisitions. We have identified several potential acquisition targets in the Northern China. However, no negotiations or agreements have been entered at this preliminary stage. We shall make the relevant announcements in due course.

## **SHARE OPTION SCHEME**

On 31 January 2004, a share option scheme (the "Scheme") was approved by a written resolution of the shareholders of the Company. Under the Scheme, the Company may grant options to the Directors or employees of the Group to subscribe for shares in the Company at a consideration of HK\$1 for each lot of share options granted. The Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The share options are exercisable only if the Directors or employees remain in service to the Group from the grant date of the share options up to the designated exercisable period.

As at 31 March 2007, options to subscribe for a total of 89,775,000 shares were still outstanding under the Scheme, which represents approximately 3.9% of the issued ordinary shares of the Company.



Details of the share options outstanding as at 31 March 2007 are as follows:

**(A) Share options granted on 11 October 2004**

	Held at 1 January 2007	Options exercised during the period	Options lapsed/ cancelled during the period	Held at 31 March 2007	Exercise price HK\$	Exercisable in December 2007	Exercisable in January 2009
(A) Employee							
	1,500,000	–	–	1,500,000	0.126	1,500,000	–
	32,525,000	–	–	32,525,000	0.126	–	32,525,000
	6,250,000	–	–	6,250,000	0.126	–	6,250,000
(B) Director							
Zhou Xing Dun	7,000,000	–	–	7,000,000	0.126	–	7,000,000
	<b>47,275,000</b>	<b>–</b>	<b>–</b>	<b>47,275,000</b>		<b>1,500,000</b>	<b>45,775,000</b>

**(B) Share options granted on 17 June 2005**

	Held at 1 January 2007	Options exercised during the period	Options lapsed/ cancelled during the period	Held at 31 March 2007	Exercise price HK\$	Exercisable between July and December 2007	Exercisable between July 2008 and March 2009
(A) Employee							
	18,000,000	–	–	18,000,000	0.294	18,000,000	–
	18,500,000	–	–	18,500,000	0.294	8,000,000	10,500,000
(B) Directors							
Wu Wen Jing, Benjamin	2,500,000	–	–	2,500,000	0.294	2,500,000	–
Cheung Sound Poon	1,750,000	–	–	1,750,000	0.294	750,000	1,000,000
Kwong Ping Man	1,750,000	–	–	1,750,000	0.294	750,000	1,000,000
	<b>42,500,000</b>	<b>–</b>	<b>–</b>	<b>42,500,000</b>		<b>30,000,000</b>	<b>12,500,000</b>

Notes:

1. During the period under review, no options were granted or exercised.

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

As at 31 March 2007, 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. Directors' interests in the Company

#### *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 interests	Total		
Chi Wen Fu	6,050,000	918,484,850 <i>(Note 1)</i>	924,534,850	Beneficial owner	40.25%
Zhou Xing Dun	3,000,000	–	3,000,000	Beneficial owner	0.13%
Wu Wen Jing, Benjamin	4,825,000	–	4,825,000	Beneficial owner	0.21%

*Note:*

- These shares are held by Alpha Sino International Limited (“Alpha Sino”) and are deemed corporate interests by virtue of Mr. Chi’s 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 the general meeting of Alpha Sino.

### 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%

Save as disclosed above, as at 31 March 2007, none of the Directors nor chief executive of the Company nor 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.

## **SUBSTANTIAL SHAREHOLDERS**

So far as is known to any Director or chief executive of the Company, as at 31 March 2007, 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:

<b>Name of shareholder</b>	<b>Nature</b>	<b>Number of shares</b>	<b>Percentage of issued share capital of the Company</b>
Chi Wen Fu	Long position	924,534,850 <i>(Note 1)</i>	40.25%
Alpha Sino	Long position	918,484,850 <i>(Note 2 and 3)</i>	39.99%

*Notes:*

- Chi Wen Fu has interest in an aggregate of 924,534,850 shares of the Company of which (a) 6,050,000 shares of the Company are beneficially owned by him and registered in his name; and (b) 918,484,850 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.

3. Pursuant to a share mortgage dated 13 November 2006, Alpha Sino, being the substantial shareholder of the Company, has mortgaged 244,578,000 shares in the Company (representing approximately 12% of the then issued share capital of the Company on 13 November 2006) to International Finance Corporation (“IFC”) to secure repayment of the IFC Loan under a loan agreement dated 13 November 2006 entered into between the IFC as lender and (i) Green Land Bio-Products Company Limited; (ii) Century Sunshine (Nanping) Biology Engineering Company Limited; (iii) Century Sunshine (Jiangxi) Ecological Technology Limited; and (iv) Century Sunshine (Zhangzhou) Ecological Technology Limited, all being the subsidiaries of the Company and collectively as borrowers.

### **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.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Save for disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities during the period under review.

### **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 2007, 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 2007 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, 15 May 2007

*As at the date hereof, the executive Directors 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 Announcement” page for at least 7 days from the date of its posting.*