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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Century Sunshine Ecological Technology Holdings Limited** (the “Company”), you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

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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)**

**DISCLOSEABLE TRANSACTION  
FORMATION OF A JOINT VENTURE COMPANY**

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This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of posting.

22 June 2007

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

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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.

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

“Alpha Sino”	Alpha Sino International Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company;
“Board”	board of the Directors;
“Century Sunshine”	Century Sunshine Ecological Technology Limited, a company incorporated in Hong Kong with limited liability;
“Company”	Century Sunshine Ecological Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM;
“Director(s)”	director(s) of the Company for the time being and from time to time;
“Group”	the Company and its subsidiaries;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Joint Venture Agreement”	the joint venture agreement dated 8 June 2007 entered into between the Company and the JV Partner for the establishment of the Joint Venture Company;
“Joint Venture Company”	means a sino-foreign co-operative joint venture company to be established in the PRC by Century Sunshine and the JV Partner pursuant to the Joint Venture Agreement;
“JV Partner”	連雲港德美新能源科技有限公司 (Lian Yun Port De Mei New Energy Technology Limited), a private company incorporated in the PRC;
“Latest Practicable Date”	20 June 2007, being the latest practicable date prior to the date of this circular for ascertaining certain information contained in this circular;

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## DEFINITIONS

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“PRC”	means the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	share(s) of HK\$0.02 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

*For the purpose of illustration in this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB1.0 to HK\$1.024.*

*The English translation of Chinese names is included for information purpose only and should not be regarded as their official English translation.*

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## LETTER FROM THE BOARD

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世紀陽光

### 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)**

**Directors:**

*Executive Directors:*

Chi Wen Fu (*Chairman*)  
Shum Sai Chit  
Zhou Xing Dun

*Non-Executive Directors:*

Zou Li  
Wong May Yuk  
Wu Wen Jing, Benjamin  
Chi Bi Fen

*Independent Non-Executive Directors:*

Shen Yi Min  
Kwong Ping Man

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Head office and  
principal place of business:*

Unit 3097,  
COSCO Tower,  
183 Queen's Road Central,  
Hong Kong.

22 June 2007

To the Shareholders

Dear Sir/Madam,

### DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE COMPANY

#### A. INTRODUCTION

On 11 June 2007, the Board announced that Century Sunshine, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with the JV Partner, an independent third party, after the trading hour on 8 June 2007 under which, inter alia, Century Sunshine and the JV Partner have agreed to jointly establish the Joint Venture Company in the PRC, which will be principally engaged in the research and development, production and sales of organic fertilizers and organic compound fertilizers in the Northern China.

The signing of the Joint Venture Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with information on the Joint Venture Agreement and further information of the Company. This circular also contains information in compliance with the GEM Listing Rules.

### **B. THE JOINT VENTURE AGREEMENT**

1. Date:

8 June 2007

2. Parties:

(1) Century Sunshine; and

(2) The JV Partner.

The JV Partner is principally engaged in provision of technical advice and consultancy services in the agricultural sector in the Jiangsu province, the PRC. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the JV Partner and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules) and had no prior relationship or transactions with the Group prior to the Joint Venture Agreement.

3. Principal terms

*Business scope of the Joint Venture Company*

The location of the operation of the Joint Venture Company will be initially in Jiangsu, the PRC. Pursuant to the terms and conditions of the Joint Venture Agreement, the Joint Venture Company will be principally engaged in research and development, production and sales of organic fertilizers and organic compound fertilizers in the Northern China.

*Total Investment amount, registered capital and capital contribution*

The total investment amount of the Joint Venture Company will be RMB230,000,000 (equivalent to approximately HK\$235,520,000) in which, it will include the registered capital of the Joint Venture Company of RMB100,000,000 (equivalent to approximately HK\$102,400,000). Upon the establishment of the Joint Venture Company, it will be owned as to 51% by Century Sunshine and as to 49% by the JV Partner. The Joint Venture Company will become a 51%-owned subsidiary of Century Sunshine and its accounts will be consolidated into the Group's accounts.

Century Sunshine and the JV Partner will contribute their respective share of the registered capital of the Joint Venture Company in cash. The registered capital of the Joint Venture Company will be RMB100,000,000 (equivalent to

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## LETTER FROM THE BOARD

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approximately HK\$102,400,000), of which RMB51,000,000 (equivalent to approximately HK\$52,224,000) will be contributed in cash by Century Sunshine and RMB49,000,000 (equivalent to approximately HK\$50,176,000) will be contributed in cash by the JV Partner. Such registered capital contribution has to be made by Century Sunshine and the JV Partner within three months from the date of the issue of its business license. The cash capital contribution by Century Sunshine will be funded by internal resources of the Company. Under the Joint Venture Agreement, the Group is not obliged to fill up the difference between the total investment amount and the registered capital and there is no capital commitment and guarantee provided in connection with the establishment of the Joint Venture Company.

### *Term of the Joint Venture Company*

The Joint Venture Company will have a term of twenty years from the date of the issue of its business license. Upon approval by all directors of the Joint Venture Company, it shall apply to the relevant governmental authority to extend the business license before six months from the expiry of the term.

### *Management of the Joint Venture Company*

The Joint Venture Company will comprise five directors, three of whom will be appointed by Century Sunshine and two of whom will be appointed by the JV Partner. The term of office of the directors of the Joint Venture Company will be two years and the retiring director will be eligible for re-election.

### *Completion*

Completion of the Joint Venture Agreement is conditional on the obtaining of relevant approvals from the relevant authorities in the PRC in relation to the transactions contemplated under the Joint Venture Agreement including the approval from Ministry of Commerce. Application will be made to the relevant authorities in the PRC. The Directors expect that completion of the Joint Venture Agreement shall take place within three months from the date of the Joint Venture Agreement.

## **C. REASONS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT**

The Board is of the view that the entering into the Joint Venture Agreement allows the Group to expand its market from Southern China to Northern China by gaining access to organic fertilizers and organic compound fertilizers market in Jiangsu province, the PRC. Northern China is traditionally rich in agricultural outputs and consumes a huge amount of fertilizers each year. It is the Group's objective to expand its businesses into Northern China so as to increase its market shares in the PRC.

The Directors believe that the establishment of the Joint Venture Company is in line with its business scope and objectives. The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement, which have



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## LETTER FROM THE BOARD

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been agreed after arm's length negotiation between Century Sunshine and the JV Partner, are on normal commercial terms and fair and reasonable and the entering into the Joint Venture Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### **D. FINANCIAL IMPACT OF THE JOINT VENTURE AGREEMENT ON THE GROUP**

Upon the establishment of the Joint Venture Company, it will become a 51%-owned subsidiary of Century Sunshine. The accounts of the Joint Venture Company will be consolidated into the Group's accounts. It is expected that the Joint Venture Company will commence operation by the latest in September 2007 and will contribute revenue to the Group. The Directors do not expect the formation of the Joint Venture Company to have any material adverse financial impact on the assets and liabilities and earnings of the Group.

### **E. GENERAL**

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Shum Sai Chit**  
*Director*

## 1. RESPONSIBILTIIY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DIRETORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORTATION

As at the Latest Practicable Date, 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:

### (i) Directors' interests in the Company

Long positions in Shares

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 (Note 1)	924,534,850	Beneficial owner	40.25%
Zhou Xing Dun	3,000,000	–	3,000,000	Beneficial owner	0.13%
Wu Wen Jing, Benjamin	3,025,000	–	3,025,000	Beneficial owner	0.13%
Kwong Ping Man	300,000	–	300,000	Beneficial owner	0.01%

*Notes:*

- These Shares are held by 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 general meeting of Alpha Sino.

**(ii) Directors' interests in associated corporations**

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

Save as disclosed above, as at the Latest Practicable Date, 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.

**3. SUBSTANTIAL SHAREHOLDERS**

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, 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:

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

*Notes:*

1. Chi Wen Fu has interest in an aggregate of 924,534,850 Shares of which (a) 6,050,000 Shares are beneficially owned by him and registered in his name; and (b) 918,484,850 Shares 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.
2. 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 (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.

**4. SERVICE CONTRACT**

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

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

**5. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or the management shareholders or substantial shareholders of the Company had any interest in a business which competes or may compete with the business of the Group.

**6. LITIGATION**

No member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**7. GENERAL**

- (1) The business of the Group is principally engaged in the research and development, production and sales of organic fertilizers and bio-pesticides in the PRC.
- (2) The registered office of the Company is at Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands.

- (3) The head office and principal place of business of the Company in Hong Kong is Unit 3907 COSCO Tower 183 Queen's Road Central Hong Kong.
- (4) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited, 26/F Tesbury Centre 28 Queen's Road East Hong Kong.
- (5) The company secretary and qualified accountant of the Company is Mr. Tang Ying Kit. He is an member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants.
- (6) The compliance office of the Company is Mr. Shum Sai Chit, an executive Director.
- (7) As required by the GEM Listing Rules, the Company established an audit committee with written terms of reference which deal clearly with its authorities and duties. The audit committee members comprise Mr. Shen Yi Min and Mr. Kwong Ping Man. Its principal duties are to review and supervise the Company's financial reporting process and internal control system.

SHEN Yi Min (沈毅民), aged 42, is presently a partner of Fujian Zhi Li Law Office (福建至理律師事務所) in the PRC. Mr. Shen is a qualified lawyer to practise securities laws in the PRC. He is a graduate from Fudan University (復旦大學) with a major in Economics Law. Mr. Shen had been the former principal of Fujian Fuzhou Foreign Economics Law Office (福建省福州市對外經濟律師事務所).

KWONG Ping Man (鄺炳文), aged 42, is currently the managing director of Fortitude Consulting Limited, engaging corporate advisory services. Prior to joining this Company, he served as the chief financial officer of two companies based in Guangzhou and Nanjing, the PRC for more than 5 years. Mr. Kwong obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University. Mr. Kwong is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwong is also an associate member of the Hong Kong Institute of Company Secretaries.

The audit committee of the Company comprises only two members, which is below the minimum number required under Rule 5.28 of the GEM Listing Rules. The Company will appoint additional independent non-executive Director as a member of the audit committee in accordance with Rules 5.33 of the GEM Listing Rules.

- (8) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.