



2007 Interim Report



世纪阳光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED
世紀陽光生態科技控股有限公司

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 report, 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 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

Turnover for the six months ended 30 June 2007 amounted to RMB142,694,000, representing an increase of 7% over the corresponding period of 2006.

Profit attributable to equity holders for the six months ended 30 June 2007 increased by approximately 6% to RMB51,199,000 as compared to the corresponding period of 2006.

The Board recommends a payment of interim dividend of HK0.4 cents per share for the year ending 31 December 2007.

INTERIM RESULTS

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 six months and three months ended 30 June 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2007	2006	2007	2006
		RMB'000 unaudited	RMB'000 unaudited	RMB'000 unaudited	RMB'000 unaudited
Turnover	2	142,694	132,919	84,597	83,099
Cost of sales		(72,253)	(67,094)	(42,892)	(42,155)
Gross profit		70,441	65,825	41,705	40,944
Selling and marketing costs		(3,469)	(2,553)	(2,421)	(1,456)
Administrative expenses		(12,277)	(10,914)	(6,816)	(5,854)
Operating profit	3	54,695	52,358	32,468	33,634
Finance income		8,538	2,067	5,410	1,323
Finance costs		(1,918)	(247)	(968)	(19)
Profit before taxation		61,315	54,178	36,910	34,938
Income tax expenses	4	(10,151)	(5,816)	(5,230)	(3,614)
Profit for the period		51,164	48,362	31,680	31,324
Attributable to:					
Equity holders of the Company		51,199	48,362	31,715	31,324
Minority interests		(35)	-	(35)	-
Earnings per share for profit attributable to equity holders of the Company:					
Basic (RMB per share)	5	2.30 cents	2.43 cents	1.38 cents	1.57 cents
Diluted (RMB per share)	5	2.22 cents	2.31 cents	1.33 cents	1.50 cents
Dividend	6	9,075	8,316	9,075	8,316

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2007 RMB'000 unaudited	As at 31 December 2006 RMB'000 audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	128,161	130,842
Land use rights		4,230	4,275
Prepayment for acquisition of land		7,372	7,372
Intangible assets		4,400	5,618
		<u>144,163</u>	<u>148,107</u>
Current assets			
Inventories		7,302	5,432
Trade receivables and other receivables	8	32,255	27,747
Held-to-maturity financial assets	9	97,500	-
Cash and bank balances		773,675	384,827
		<u>910,732</u>	<u>418,006</u>
Total assets		<u>1,054,895</u>	<u>566,113</u>
EQUITY			
Share capital		48,094	43,194
Share premium		598,543	156,703
Other reserves		43,075	42,175
Retained earnings			
– Proposed dividend		9,075	22,970
– Others		215,479	172,666
		<u>914,266</u>	<u>437,708</u>
Minority interests		1,185	-
Total equity		<u>915,451</u>	<u>437,708</u>
LIABILITIES			
Non-current liabilities			
Borrowings		111,157	110,482
Current liabilities			
Trade and other payables	10	17,459	10,342
Income tax liabilities		10,828	7,581
		<u>28,287</u>	<u>17,923</u>
Total liabilities		<u>139,444</u>	<u>128,405</u>
Total equity and liabilities		<u>1,054,895</u>	<u>566,113</u>
Net current assets		<u>882,445</u>	<u>400,083</u>
Total assets less current liabilities		<u>1,026,608</u>	<u>548,190</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	unaudited	unaudited
Net cash inflow from operating activities	70,112	62,276
Net cash outflow from investing activities	(102,956)	(30,165)
Net cash inflow/(outflow) from financing activities	424,436	(36,061)
Net increase/decrease in cash and cash equivalents	391,592	(3,950)
Cash and cash equivalents at the beginning of the period	384,827	218,993
Exchange losses on cash and cash equivalents	(2,744)	(11)
Cash and cash equivalents at the end of the period	773,675	215,032

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	Share capital and premium	Capital reserves	Employee	Statutory reserves	Translation reserves	Retained earnings	Minority interest	Total
			compensation reserves					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
Balance at 1 January 2006	179,713	11,965	2,733	15,237	37	102,401	3	312,089
Disposal of subsidiaries	-	-	-	-	-	-	(3)	(3)
Employee share option benefit	-	-	2,163	-	-	-	-	2,163
Exchange difference	-	-	-	-	(11)	-	-	(11)
Profit for the period	-	-	-	-	-	48,362	-	48,362
Dividend payment	-	-	-	-	-	(14,502)	-	(14,502)
Balance at 30 June 2006	179,713	11,965	4,896	15,237	26	136,261	-	348,098
Balance at 1 January 2007	199,897	11,965	3,292	26,892	26	195,636	-	437,708
Issuance of new shares	446,740	-	-	-	-	-	-	446,740
Employee share option benefit	-	-	900	-	-	-	-	900
Capital injection from a minority shareholder	-	-	-	-	-	-	1,220	1,220
Profit for the period	-	-	-	-	-	51,199	(35)	51,164
Dividend payment	-	-	-	-	-	(22,281)	-	(22,281)
Balance at 30 June 2007	646,637	11,965	4,192	26,892	26	224,554	1,185	915,451

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and 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 report are consistent with those adopted in the annual accounts for the year ended 31 December 2006 except the adoption of revised Hong Kong Financial Reporting Standards ("HKFRS") which are effective for accounting periods commencing on or after 1 January 2007. The effect of the newly adopted standard of HKFRS 7, Financial Instruments: Disclosures and the Amendment to HKAS1, Presentation of Financial Statements: Capital Disclosures do not have material impact on the Group's results.

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

The unaudited condensed consolidated interim accounts should be read in conjunction with the 2006 annual accounts.

2. Sales

The Group is principally engaged in research and development, production and sale of organic fertilizers and bio-pesticides. Revenue recognized during the three months and six months ended 30 June 2007 with the comparative figures for the corresponding period of 2006 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2007 RMB'000 unaudited	2006 RMB'000 unaudited	2007 RMB'000 unaudited	2006 RMB'000 unaudited
Sales of				
– Microbial compound fertilizers	36,585	34,739	21,933	21,320
– Organic tea fertilizers	18,975	14,697	8,519	5,369
– Premium organic fertilizers	18,338	18,644	10,611	12,898
– Organic compound fertilizers	12,265	11,815	8,344	8,482
– Humic acid organic fertilizers	49,411	47,026	30,679	29,498
– Others	588	–	588	–
	136,162	126,921	80,674	77,567
– Bio-pesticides	6,532	5,998	3,923	5,532
Total revenues	142,694	132,919	84,597	83,099

No business segment information was presented for the period ended 30 June 2007 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.

3. Operating Profit

Operating profit is arrived at after charging the following:

	Six months ended 30 June		Three months ended 30 June	
	2007 RMB'000 unaudited	2006 RMB'000 unaudited	2007 RMB'000 unaudited	2006 RMB'000 unaudited
Amortisation expense	1,218	1,157	586	578
Depreciation expense	8,182	7,883	4,709	3,925

4. Taxation

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

	Six months ended 30 June		Three months ended 30 June	
	2007 RMB'000 unaudited	2006 RMB'000 unaudited	2007 RMB'000 unaudited	2006 RMB'000 unaudited
Current income tax:				
Hong Kong profits tax	-	-	-	-
Mainland China enterprises income tax	10,151	5,816	5,230	3,614
	10,151	5,816	5,230	3,614

(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., Century Sunshine (Nan Ping) Biology Engineering Co. Ltd., Century Sunshine (Jiangxi) Ecological Technology Limited and Excellent Pesticide (Nanchang) Limited are wholly owned foreign enterprises engaged in the production and sale of organic fertilizers and bio-pesticides 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. 世紀陽光(福建)農業科技發展有限公司, 福州美地國際貿易有限公司 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) was incorporated in Australia and was loss making during the period.

5. 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.

	Six months ended 30 June		Three months ended 30 June	
	2007 unaudited	2006 unaudited	2007 unaudited	2006 unaudited
Profit attributable to equity holders of the Company (RMB"000)	51,199	48,362	31,715	31,324
Weighted average number of ordinary shares in issue, adjusted for the effect of the share subdivision (thousand)	2,223,821	1,992,025	2,297,025	1,992,025
Basic earnings per share (RMB per share)	2.30 cents	2.43 cents	1.38 cents	1.57 cents

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.

	Six months ended 30 June		Three months ended 30 June	
	2007 unaudited	2006 unaudited	2007 unaudited	2006 unaudited
Profit attributable to equity holders of the Company (RMB'000)	51,199	48,362	31,715	31,324
Weighted average number of ordinary share in issue, adjusted for the effect of share subdivision (thousand)	2,223,821	1,992,025	2,297,025	1,992,025
Adjustment for share options (thousand)	79,745	97,455	80,321	103,465
Weighted average number of ordinary share for diluted earnings per share, adjusted for the effect of share subdivision (thousand)	2,303,566	2,089,480	2,377,346	2,095,490
Diluted earnings per share (RMB per share)	2.22 cents	2.31 cents	1.33 cents	1.50 cents

6. Dividend

At the meeting held on 15 August 2007, the Board recommends a payment of interim dividend of HK\$0.004 per share for the year ending 31 December 2007 (2006: HK\$0.004 per share, as adjusted for the effect of share subdivision) to the shareholders of the Company whose name appear in the register of members on 30 August 2007 and payable on or about 17 September 2007. This dividend is not reflected as a dividend payable in the unaudited condensed consolidated accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

7. Fixed assets

During the six months period, the addition to property, plant and equipment was approximately RMB5,456,000. (2006: RMB30,165,000).

8. Trade receivables

	As at 30 June 2007 RMB'000 unaudited	As at 31 December 2006 RMB'000 audited
Trade receivables	21,782	27,457
Prepayments and deposits	1,983	20
Other receivables	8,490	270
	32,255	27,747

The normal credit period granted by the Group ranges from 30 days to 90 days. There is no concentration of credit risk with respect to trade receivable, as the Group has a large number of customers. Aging analysis of the Group's trade receivables was as follows:

	As at 30 June 2007 RMB'000 unaudited	As at 31 December 2006 RMB'000 audited
0 to 30 days	18,654	23,154
31 days to 60 days	2,979	4,010
61 days to 90 days	77	293
Over 90 days	72	—
	21,782	27,457

9. Held-to-maturity financial assets

The Directors confirmed that held-to-maturity financial assets represents the principal amount in the principal-guaranteed financial products managed by a recognized financial institution in the PRC with maturities less than nine months.

10. Trade payables

	As at 30 June 2007 RMB'000 unaudited	As at 31 December 2006 RMB'000 audited
Trade payables	7,691	3,757
Accrued expenses and other payables	9,768	6,585
	17,459	10,342

The normal credit period granted to the Group by its suppliers ranges from 30-90 days. Ageing analysis of the Group's trade payables was as follows:

	As at 30 June 2007 RMB'000 unaudited	As at 31 December 2006 RMB'000 audited
0 to 30 days	7,610	3,700
31 days to 60 days	76	12
61 days to 90 days	-	10
Over 90 days	5	35
	7,691	3,757

11. Capital commitments

Capital expenditure contracted at 30 June 2007 but not yet incurred was as follows:

	As at 30 June 2007 RMB'000 unaudited	As at 31 December 2006 RMB'000 audited
Property, plant and equipment		
Contracted but not provided for	30,406	35,343

12. Contingent liabilities

As at 30 June 2007, the Group did not have any material contingent liabilities.

FINANCIAL AND BUSINESS REVIEW

Financial review

The Group's turnover for the six months ended 30 June 2007 amounted to RMB142,694,000, representing an increase of 7% from the same period last year. The Group's total production of fertilizers amounted to 79,500 tons, representing an increase of 6% from the same period last year. During the period, the Group's production facilities operated at high-level capacities. While the demand for organic fertilizers remained strong, we were not able to meet such demand due to capacity constraint.

Gross profit of the Group was RMB70,441,000, representing an increase of 7% from the same period last year. The gross profit margin remained steady at 49%.

For the six-month period, total operating expenses amounted to RMB15,746,000, representing an increase of 17% from last year. Detailed analysis is as follows:

Selling and marketing costs

Selling and marketing costs amounted to RMB 3,469,000, representing an increase of 36% from the same period of last year due to the increase in advertising cost. Of the total selling and marketing costs, salary to sales personnel and the advertising cost accounted for 68% and 28% respectively.

Administrative expenses

Administrative expenses for the period amounted to RMB12,277,000, representing an increase of 12% from last year. Such increase was mainly attributable to exchange loss incurred during the period. The net exchange loss of RMB2,716,000 was mainly due to the appreciation of Renminbi against the Group's assets denominated in Hong Kong dollar.

Profit attributable to the equity holders of the Company for the six months ended 30 June 2007 increased by 6% to RMB51,199,000.

Business review

Acquisition of Jiangsu Plant

The Group acquired a production facility in Jiangsu in June 2007 through a joint venture company in which the Group owns 51% equity interest. Its annual production capacity is 200,000 tons of compound fertilizers. The Group plans to gradually expand and convert the existing facility into a plant with 300,000 tons of annual capacity of both compound fertilizers and organic fertilizers.

Jiangsu province is one of the largest agricultural provinces in China. The total annual consumption of fertilizers in Jiangsu province is about 12 million tons as compared to about four million tons in Fujian province. We believe that the Jiangsu plant will provide significant contribution to the Group's capacity and revenue in the future.

Yunxiao Plant

The construction of phase one of the Yunxiao Plant was completed in March 2007 and the relevant assessment on environment was carried out by Fujian Environmental Company in April 2007. In June 2007, an assessment report was issued by Fujian Environmental Company in which it concluded that although the Yunxiao Plant complied with the requirements on environmental restrictions on air pollution and noise pollution, it is inconsistent with the master planning and planning on environmental function of the Yunling Industrial Development Zone. Therefore the Group cannot apply for the production permit for the Yunxiao Plant for the time being.

Since the receipt of the environmental report, we have made further intensive negotiation and consultation with the relevant government authorities. However, under the prevailing governmental procedures and regulations, it is very unlikely to obtain a production permit for the Yunxiao Plant within the next two years.

Under such circumstances, we intend to make use of the factories of the Yunxiao Plant partly as warehouses for the Group's own business and partly leased to other companies as logistic or production facilities. In two years time, we shall reassess the situation and determine Yunxiao plant's usage in the future.

Yunxiao Plant is located in the Yunling Industrial Development Zone of Yunxiao County in the Southern Fujian Province. The development zone is between Xiamen and Shantou Special Economic Zone and right behind the 324 Highway. It is also on a proposed railway trail currently under construction that will integrate into the state railway network. Due to its strategic geographic location, the development zone has gradually become an important production and logistic center in the region. In view of this, we believe there will be growing demand for warehouse and logistic facilities in this area. All factories at Yunxiao Plant are built as standard factories and are highly adaptable to most companies for warehouse and logistic purposes. We are optimistic about finding the right customers for our Yunxiao factories.

BUSINESS OUTLOOK

Capacity expansion is critical to the Group's future growth. It is our objective to continually increase our capacity by both building new facilities and acquisition. Our Jiangsu Plant will gradually make growing contributions to our capacity and revenue following the expansion and conversion work. Meanwhile, we are also actively seeking acquisition targets in China. Our financial resources are sufficient enough to support our future expansions, although we clearly understand that we need to be very prudent and cautious when making any future acquisitions.

SHARE OPTION SCHEME

On 31 January 2004, the 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 for 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 30 June 2007, options to subscribe for a total of 89,775,000 option 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 30 June 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 30 June 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
	47,275,000	-	-	47,275,000		1,500,000	45,775,000

(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 30 June 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	-
	20,250,000	-	-	20,250,000	0.294	8,750,000	11,500,000
(B) Directors							
Wu Wen Jing, Benjamin	2,500,000	-	-	2,500,000	0.294	2,500,000	-
Kwong Ping Man	1,750,000	-	-	1,750,000	0.294	750,000	1,000,000
	42,500,000	-	-	42,500,000		30,000,000	12,500,000

Note:

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 30 June 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 (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	500,000	-	500,000	Beneficial owner	0.02%

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 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 30 June 2007, 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 30 June 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:

Name of shareholder	Nature	Number of shares	Percentage of issued share capital of the Company
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:

- 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.

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, had 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, 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.

Share Placement and Subscription

In February 2007, a share placement of 300 million existing shares of the Company held by Alpha Sino and a subscription of 250 million new shares of the Company by Alpha Sino were completed. The net proceed from the subscription of 250 million new shares of the Company were approximately HK\$456 million and were intended to be used to finance future expansion as well as general working capital.

BOARD PRACTICES AND PROCEDURES

The Company had fully complied with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules in respect of the Code on Corporate Governance Practices (the “CCGP”) throughout the period under review except for the following deviation from the code provision of the CCGP:

Code of CCGP

Reasons for deviation

A.2 Chairman and Chief Executive Officer

The Board is of the view that it is the best interests of the Group to adopt a single leadership structure, instead of dual leadership structure as Mr. Chi possesses extensive experience and knowledge in the field of agriculture especially the organic fertilizers and he is playing significant role in establishing the strategic decision and the overall management of the Group. The Board considers that there is no suitable professional or expertise in the market to fill the position of CEO at this stage

A.3 Board composition – number of independent non-executive directors fall below the minimum number required under Rule 5.05 of the GEM Listing Rules

The Company is searching for suitable candidate to fill the vacancy and will appoint an additional independent non-executive director within the time limit in accordance with Rule 5.06 of the GEM Listing Rules.

B.1.1 A majority of the members of the remuneration committee should be independent non-executive directors

The Company will appoint an additional independent non-executive director as a member of the remuneration committee within the time limit in accordance with Rule 5.06 of the GEM Listing Rules.

C.3 Audit committee – members of the Audit Committee fall below the minimum number required under Rule 5.28 of the GEM Listing Rules

The Company will appoint an additional independent non-executive director as a member of the Audit Committee within the time limit in accordance with Rule 5.34 of the GEM Listing Rules.

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. As at 30 June 2007, the Audit Committee only has two members comprising all the independent non-executive Directors, namely Mr. Shen Yi Min and Mr. Kwong Ping Man. Mr. Kwong Ping Man is the chairman of the Audit Committee.

During the six months ended 30 June 2007, the Audit Committee held two meetings 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 six months ended 30 June 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from, Tuesday, 28 August 2007 to Thursday, 30 August 2007, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend of HK\$0.004 per share of the Company for the year ending 31 December 2007, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Registrar in Hong Kong, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00p.m.on Monday, 27 August 2007. Dividend warrants will be dispatched on or about 17 September 2007.

By order of the Board

Shum Sai Chit

Executive Director

Hong Kong, 15 August 2007