世纪阳光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

世紀陽光生態科技控股有限公司

Stock Code: 8276

ANNUAL REPORT 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

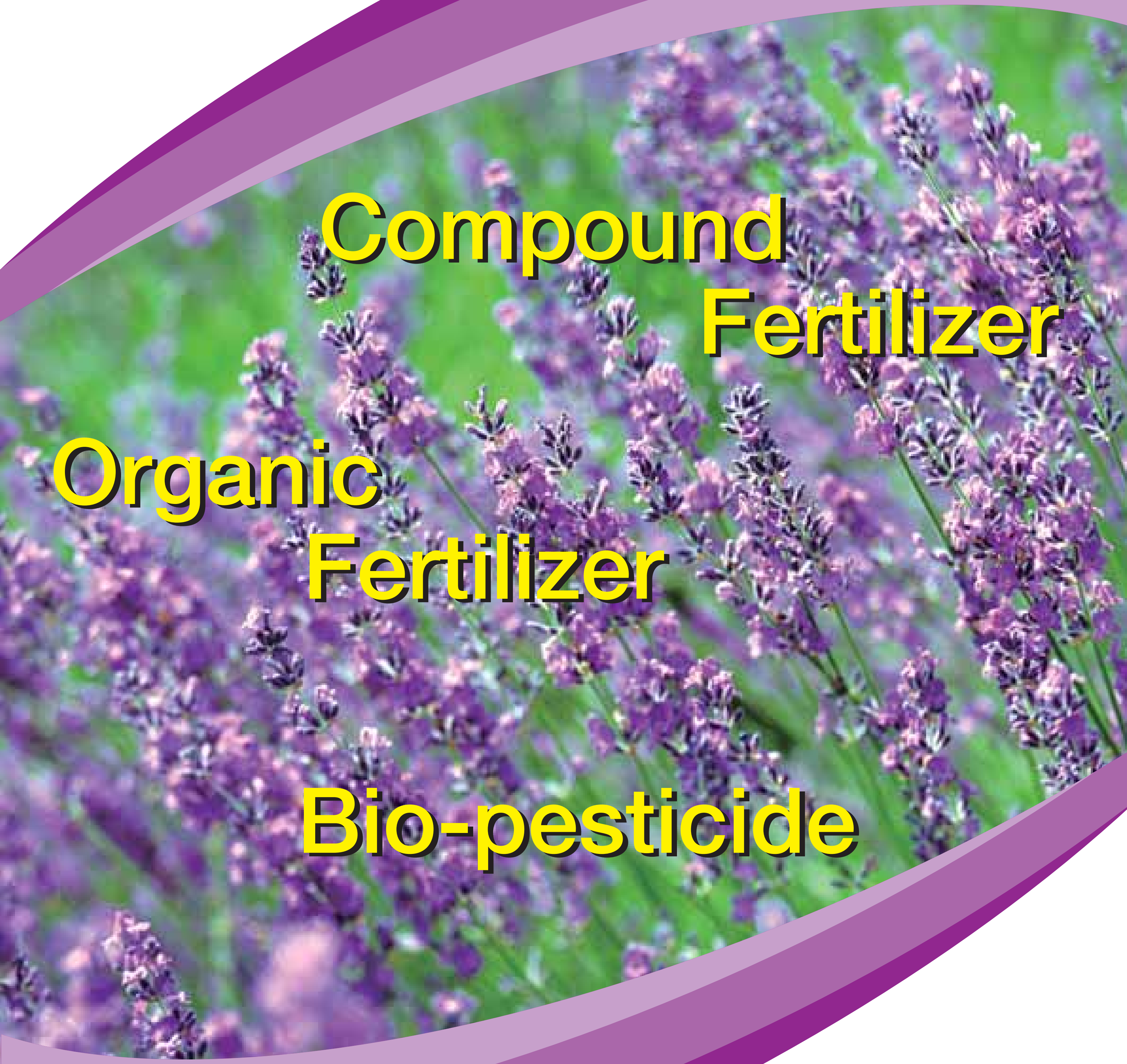
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out 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 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.

Century
Sunshine




To be a comprehensive fertilizer producer,
providing safe and efficient fertilizers to farmers.

Contents

Business Structure

(As at 31 December 2007)

Board of 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 To Yan Ming, Edmond

Committees

Audit Committee	Kwong Ping Man* Shen Yi Min To Yan Ming, Edmond
Remuneration Committee	Kwong Ping Man* Shen Yi Min To Yan Ming, Edmond Shum Sai Chit Wu Wen Jing, Benjamin

* Committee Chairman

CORPORATION INFORMATION

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 3907 Floor 39 COSCO Tower
183 Queen's Road Central
Hong Kong

COMPANY SECRETARY

Tang Ying Kit

COMPLIANCE OFFICER

Shum Sai Chit

QUALIFIED ACCOUNTANT

Tang Ying Kit

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISERS

Sit, Fung, Kwong & Shum
(as to Hong Kong Law)

Conyers Dill & Pearman
(as to Cayman Islands Law)

Kang Da Law Office
(as to PRC Law)

PRINCIPAL BANKERS

Hong Kong
United Overseas Bank Limited
DBS Bank (Hong Kong) Limited

PRC
Agricultural Bank of China
China Merchants Bank
Bank of Communications

FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER

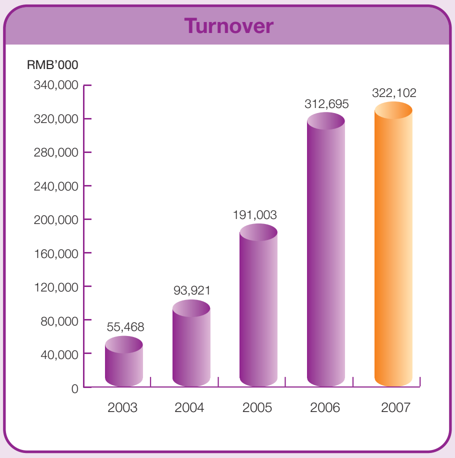
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000 Restated	RMB'000
Sales	**322,102**	312,695	191,003	93,921	55,468
Cost of sales	**(201,298)**	(152,410)	(93,412)	(41,301)	(24,364)
Gross profit	**120,804**	160,285	97,591	52,620	31,104
Selling and marketing costs	**(10,760)**	(10,667)	(6,690)	(3,416)	(3,094)
Administrative expenses	**(42,813)**	(23,599)	(14,029)	(13,996)	(6,473)
Operating profit	**67,231**	126,019	76,872	35,208	21,537
Finance income	**17,828**	12,258	528	343	–
Finance costs	**(6,348)**	(767)	(1,028)	(136)	(343)
Profit before taxation	**78,711**	137,510	76,372	35,415	21,194
Taxation	**(15,916)**	(9,802)	(4,997)	–	(29)
Profit for the year	**62,795**	127,708	71,375	35,415	21,165
Attributable to:					
Equity holders of the Company	**63,953**	127,708	71,375	35,461	21,367
Minority interests	**(1,158)**	–	–	(46)	(202)
Total assets	**1,093,254**	566,113	342,356	116,389	47,300
Total liabilities	**(169,057)**	(128,405)	(30,267)	(4,706)	(12,927)
Total equity	**924,197**	437,708	312,089	111,683	34,373

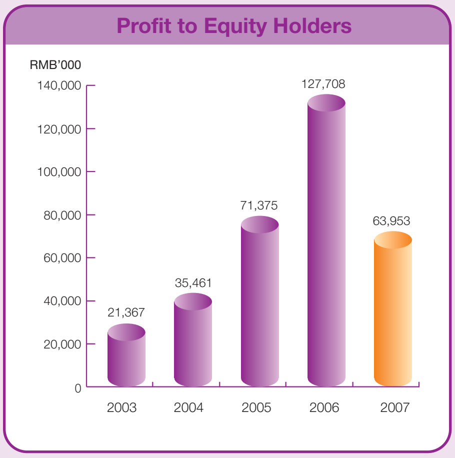
FINANCIAL RATIO (AS AT 31 DECEMBER)

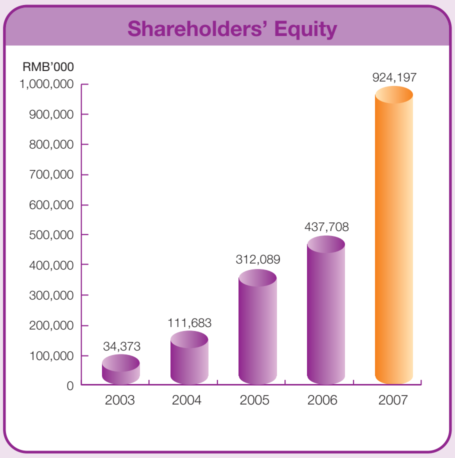
	2007	2006	2005	2004	2003
Return on equity [1]	**6.9%**	29%	23%	32%	62%
Return on total assets [2]	**5.8%**	23%	21%	30%	45%
Interest cover [3]	**13x**	101x	64x	261x	63x
Gearing [4]	**12%**	25%	7%	–	32%
Liquidity [5]	**16x**	23x	11x	20x	3x

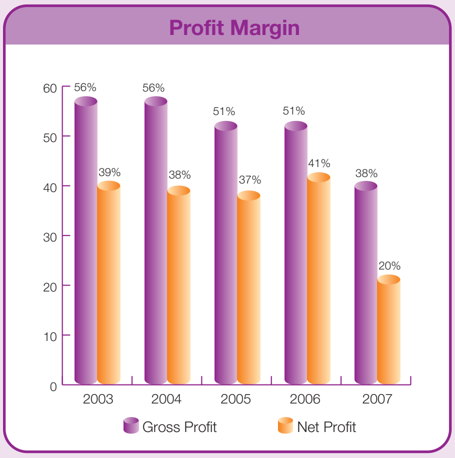
Notes:

1. Profit attributable to equity holders of the Company/Total equity
2. Profit attributable to equity holders of the Company/Total assets
3. Profit before tax and interest expense/Interest expense
4. Total borrowings/Total equity
5. Current assets/Current liabilities









LISTING INFORMATION

Listing	The Stock Exchange of Hong Kong Limited (GEM Board)
Stock code	8276
Listing date	17 February 2004

KEY DATES

19 March 2008	Announcement of 2007 final results
23 April to 28 April 2008 (both days inclusive)	Closure of registrar of shareholders
28 April 2008	Annual general meeting
28 May 2008	Proposed payment of 2007 final dividend

SHARE INFORMATION

Company's shares of HK$0.02 each ("the Shares") in issue (31 December 2007)	2,219,420,000 Shares
Market capitalization (31 December 2007)	HK$798,991,200
Board lot size	5,000 Shares

EARNINGS PER SHARE FOR 2007

Basic	RMB2.82 cents
Diluted	RMB2.74 cents

DIVIDEND PER SHARE FOR 2007

Interim	HK0.4 cents
Final (proposed)	HK0.4 cents

SHARE REGISTRAR & TRANSFER OFFICES

Principal:
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
Grand Cayman
Cayman Islands

Hong Kong:
Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

ENQUIRIES CONTACT

Ms. Anny Lee	
Telephone:	2802 2165
Fax:	2802 2697
E-mail	cs@centurysunshine.com.hk
Company's website	www.centurysunshine.com.hk

On behalf of the board of Directors (the "Board") of the Company, I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 for your review and consideration.

RESULTS HIGHLIGHT

For the financial year of 2007, the Group's consolidated turnover increased by 3% to RMB322,102,000 and the profit attributable to equity holders declined by 50% to RMB63,953,000. The decline in net profit was mainly attributable to the problem of bacteria degeneration which caused our production output of organic fertilizers significantly lower than our normal capacity and increase in administrative expenses.

In spite of the temporary setback in our financial results, the Board is to recommend a payment of a final dividend of HK0.4 cents per Share. Together with the interim dividend of HK0.4 cents per Share already paid, total dividend for the year will be HK0.8 cents per Share, representing about 28% of the basic earnings per Share for the year.

BUSINESS REVIEW

Degeneration of bacteria

We have encountered the problem of bacteria degeneration since the beginning of the third-quarter. The problem has caused our production capacity to decline significantly due to longer than normal fermentation process. We have already identified the cause to the problem which is due to environmental changes in the mountain area in Fujian province where we derive our bacteria. Currently there is no sign of such environmental impact disappearing in the near future. However, the situation has been stabilized at the current level. We are in the process of looking for replacement bacteria and developing new technologies to resolve the problem.

Despite the bacteria problem, operations at our factories remain normal. Our production output of organic fertilizer is at 58% of our normal capacity and we expect this to be maintained in 2008.

Yunxiao Plant

In June 2007, our Yunxiao Plant failed to pass the environmental appraisal that is required for obtaining the production permit. We subsequently appealed to the local government on this matter but were not successful. Since most of the ground work for the second phase of the plant had already been completed by June 2007, we plan to continue the construction of the second phase in 2008 with a schedule to complete in 2009. Upon completion and before obtaining the production permit, we plan to lease these premises to other companies as production and warehousing facilities.

Jiangsu Acquisition

In June 2007, we acquired a compound fertilizer facility in Jiangsu province through our 51%-owned subsidiary. This facility has an annual capacity of 200,000 tones of compound fertilizer. Compound fertilizers currently accounts for about 30% of the PRC fertilizer markets in terms of annual sales. We believe it is a right strategy to expand our product lines into this compound fertilizer market in order to broaden our income base. We plan to expand the capacity of Jiangsu Plant to 300,000 tons in 2009. The products of Jiangsu Plant are currently distributed to the northern-provinces of China. We expect the sales network established by the Jiangsu Plant will also help to distribute our organic fertilizers to the northern-provinces of China in the future.

Share Repurchase

During the fourth quarter, we repurchased a total of 109,105,000 Shares in the market with an average price of HK$0.502 per Share. The total number of Shares repurchased accounted for 4.7% of the total number of Shares outstanding as at the date before the share repurchase. The aim of the share buyback is to increase the earnings and net asset value per Share in order to maximize the shareholders' benefits.

BUSINESS OUTLOOK

The Chinese agricultural industry is growing steadily under the government's favourable policies. The selling prices for many agricultural products have been rising. Market demands for both organic and compound fertilizers remain strong. Given such favourable market sentiment and in order to overcome the short-term difficulties that we are facing, we plan to broaden our income base into other areas such as compound fertilizers.

Due to the increase in operating costs on raw material and labour, we foresee that the operating margin of both organic fertilizers and compound fertilizers may continue to decline. In order to improve the profit margin, we are considering to increase the average selling price of our products in 2008.

In the near future, we will be actively looking for other investment opportunities that could help increasing our incomes and profits. We are very confident that the current setback will eventually pass and our company will continue to prosper into the future.

Chi Wen Fu
Chairman

Hong Kong, 19 March 2008

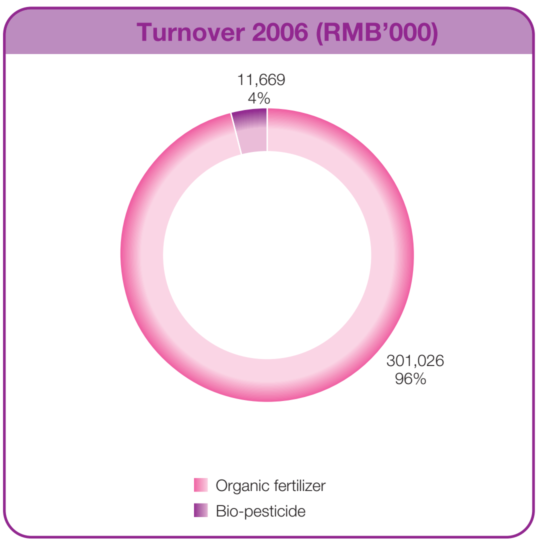
TURNOVER

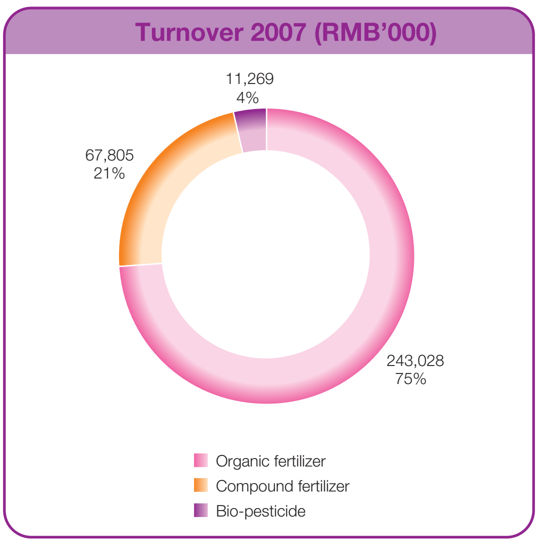
The Group's total sales amounted to RMB322,102,000 in 2007, representing a increase of 3% from 2006. It was mainly attributable to the introduction of new business line of compound fertilizers. The Group currently engages in three business lines, namely organic fertilizers, compound fertilizers and bio-pesticides. The following tables set out the sales of each business line for both 2006 and 2007:

RMB'000	2007	2006	Change
Organic fertilizers	**243,028**	301,026	-19%
Compound fertilizers	**67,805**	–	–
Bio-pesticides	**11,269**	11,669	-3%
	322,102	312,695	+3%

Organic fertilizers

The significant drop in sales of organic fertilizers was mainly attributable to the decrease in production capacity of organic fertilizers due to the degeneration of production bacteria which caused our production output significantly lower than our normal capacity. The problem of bacteria degeneration occured in July 2007 and therefore, the second-half turnover of organic fertilizer was severely affected. When comparing to the same period of last year, the sales of organic fertilizers for the second half of 2007 decreased by 39% to RMB106,866,000. However, the production of organic fertilizers has stabilized at this current level. During the year, the total sales volume of organic fertilizers amounted to approximately 130,000 tons and it accounted for 75% of the total sales.





Compound fertilizers

Compound fertilizers are composite of different kinds of chemical fertilizers in order to provide balanced nutrients to the plantation. The fertilizer market in the PRC is huge with the annual sales of over RMB400 billion in which the compound fertilizers accounted for approximately 30%. The Group acquired a compound fertilizers facility in July 2007 through a 51%-owned subsidiary in the Jiangsu province. Jiangsu province is a traditional agricultural base in the northern PRC. The Group's compound fertilizers were well received by the market and accounted for about 21% of the Group's total sales in 2007.

Bio-pesticides

The Group maintained bio-pesticides as a supplemental products and services to its customers. The sales of bio-pesticides recorded a slight decrease of 3% and accounted for about 4% of the Group's total sales in 2007.

PRODUCTION CAPACITY

Organic fertilizers

The degeneration of production bacteria caused the production capacity of organic fertilizer drop significantly in the second half of 2007. Given that no significant improvement on our current production technology, our annual production capacity of organic fertilizer decreases by 42% from 155,000 tons to approximately 90,000 tons. The Group is now searching for replacement bacteria and developing new technologies to resolve the problem.

Compound fertilizers

The designed annual capacity of Jiangsu Plant was about 200,000 tons of compound fertilizers. After the completion of modification of existing machinery and installation of new production facilities in 2009, the annual capacity will increase to approximately 300,000 tons of compound fertilizers.

We are actively seeking for suitable acquisition targets of compound fertilizers and organic fertilizers in the PRC and Australia. We hope to complete one to two acquisitions in 2008. However, these activities are currently in preliminary stages, no agreements whatsoever have been entered into between the Company and any of the potential candidates.

GROSS MARGIN

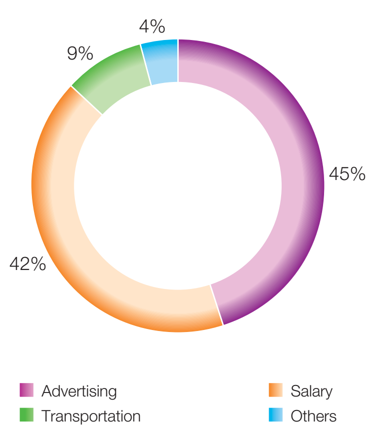
The average gross margin in 2007 significantly dropped to about 38% from 51% in 2006, which was mainly attributable to the introduction of compound fertilizers and the longer production cycle of organic fertilizers caused by the degeneration of bacteria. Compound fertilizers have lower average margin than organic fertilizers. Our compound fertilizers have an average gross margin of less than 10%. Meanwhile, the average gross margin of our organic fertilizers decreased by 6% in 2007 due to the longer production cycle.

EXPENSES

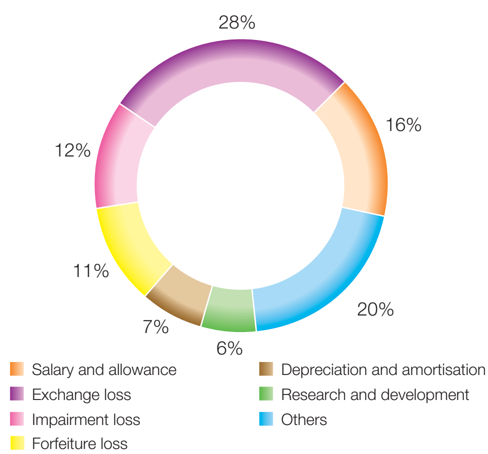
Selling and marketing cost remained stable at the level of approximately RMB11,000,000 in which advertising, salary and transportation cost accounted for 45%, 42% and 9% respectively.

Administrative expenses amounted to RMB42,813,000, representing an increase of 81% from last year. It was mainly attributable to the increase in net exchange loss from RMB2,296,000 in 2006 to RMB11,960,000 in 2007 due to the continuous appreciation of Renminbi against the Group's assets denominated in foreign currencies. Due to the failure to commence operations of the Yunxiao Plant, administrative expenses included its impairment loss of RMB5,128,000 and contracts termination cost of RMB4,775,000. Without taking into account of these expenses, administrative expenses of 2007 recorded a slight decrease of 2%.

2007 Selling & Marketing Costs



2007 Administrative Expenses



NET MARGIN

Due to the significant decrease in gross margin and increase in administrative expenses, the net profit for the year of 2007 only amounted to RMB63,953,000, representing a decrease of 50% from last year and the net profit margin decreased to 20% from 41% in 2006.

LIQUIDITY, GEARING AND SOURCE OF FINANCE

The Group continued to maintain a strong financial position with net cash of RMB682,236,000. As at 31 December 2007, cash and bank balances of the Group increased by RMB408,087,000 to RMB792,914,000 (2006: RMB384,827,000).

As at 31 December 2007, the Group has a long term borrowings of RMB110,678,000 (2006: 110,482,000) and the net current assets was approximately RMB848,578,000 (2006: RMB400,083,000). The Group's gearing ratio as measured by borrowings over net asset value was 12% in 2007 (2006: 25%).

The existing cash resources together with the steady cash flows generated from operations are sufficient to meet its business requirements.

EXCHANGE RATE RISK MANAGEMENT

The Group's exchange rate risk mainly arises from our assets denominated in foreign currency. There is no effective way in the market to hedge or reduce the exchange rate risk arising from the continuous appreciation of Renminbi. We seek to reduce the exchange rate risk by matching the sources of utilization of our funds. During the year, we made certain shareholders' loan to subsidiaries and increased capital investments in the PRC so as to reduce the total amount of approximately HK$187 million in our cash balances denominated in Hong Kong dollars and increase our Renminbi assets of approximately RMB182 million. The Group expects that the Renminbi will continue to appreciate in the foreseeable future and the Group's exchange rate risk will continue to arise. The Group will look for other alternatives to effectively minimize the exchange rate risk.

CREDIT RISK MANAGEMENT

Along with the significant increase in turnover and accounts receivable, the Group was fully aware of the credit risk exposure of our customers. The Group strictly followed the "client account management procedures" which was established in 2004. The procedures required and ensured each client account was maintained and kept tracked periodically according to the previous transactions records and credit history of each customer. The Group specified and assigned to each customer a series of credit measures such as credit ratio, credit period, credit rating, credit terms, and guarantee. The client account management procedures were effective to control the credit risk of the Group. As at 31 December 2007, no bad debt of the Group was recorded.

PLEDGE OF ASSETS

As at 31 December 2007, the Group did not have any charges or pledges on its assets.

CAPITAL COMMITMENTS

As at 31 December 2007, the Group did not have any material capital commitments apart from those disclosed in Note 25 to the financial statements.

SIGNIFICANT INVESTMENT

Save for the Company's investment in its subsidiaries, the Group did not have any significant investment during the year.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any material contingent liabilities.

CAPITAL STRUCTURE

As at 1 January 2007, the issued share capital of the Company were HK$40,940,500, divided into 2,047,025,000 Shares.

On 23 February 2007, the company completed a top-up placing of Shares and therefore, the Company alloted and issued 250,000,000 new Shares at a price of HK$1.88 per Share.

On 9 July 2007, a total of 30,000,000 options were exercised at the exercise price of HK$0.294 each and the Company subsequently allotted and issued 30,000,000 new Shares to the options holders.

The Company repurchased an aggregate of 109,105,000 Shares on The Stock Exchange of Hong Kong Limited at the average purchase price of HK$0.502 per Share from 12 November 2007 to 20 November 2007 under the general mandate granted by the shareholders of the Company in the annual general meeting of the Company held on 30 April 2007.

On 17 December 2007, a total of 1,500,000 options were exercised at the exercise price of HK$0.126 each and the Company subsequently allotted and issued 1,500,000 new Shares to the options holders.

As at 31 December 2007, the issued share capital of the Company were HK$44,388,400, divided into 2,219,420,000 Shares.

HUMAN RESOURCES

As at 31 December 2007, the Group had around 640 employees. Salaries are determined by reference to prevailing market rates. Staff benefits include medical protection, pension, discretionary bonus and share options. The Group has not experienced any labour disputes or significant changes in its headcount which may undermine its normal operation. The Directors considers that the Group enjoys a good relationship with its staff.

The Company is committed in maintaining high standards of corporate governance and business integrity in all of its activities. The Board believes the commitment in robust corporate governance practices will translate into long-term value and providing satisfactory and sustainable returns to shareholders. The Company has applied the principles and complied with the Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules during the year ended 31 December 2007, with deviation from code provision A.2.1 of the CCGP in respect of the separate roles of chairman and chief executive officer, the details of which have been disclosed in the section headed "Chairman and Chief Executive Officer".

THE BOARD

The Board comprises ten Directors at most of the period during the year, in which three are executive Directors; four are non-executive Directors and three are independent non-executive Directors. The composition of the Board as at the date of this report is set out in page 5 of the annual report.

Non-executive Directors from diverse background bring in valuable expertise and experience and serve the important functions of advising the management on strategy development and providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

Independent non-executive Directors ensure the Board accounts for the interest of all shareholders and subject matters are considered in an objective matter. The Board has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board considers that the independent non-executive Directors are independent.

The Directors are responsible for the appointment, re-appointment and removal of Directors. The Chairman in consultation with other Directors nominates for a new appointment as the Company's Director(s). The Board considers that the new Director(s) is expected to have expertise in relevant area to make contribution to the Company. New Directors are briefed on the role of the Board and Board committee, their duties and obligation as a director of a listed company. During the year under review, Mr. To Yin Ming, Edmond was appointed to be the independent non-executive Director by the Board and he is subject to retire at the forthcoming annual general meeting of the Company in accordance with the articles of association of the Company.

Except that Chi Wen Fu and Chi Bi Fen have a family relationship of brother and sister, there is no other relationship among the rest of the Directors.

All the existing non-executive Directors and independent non-executive Directors are appointed for an initial term of two years and the term of office shall continue after the expiration of the initial term until at least 3 months' prior written notice is given by either party or the Company to terminate the same. Non-executive Directors are not entitled to any emolument for their appointment as the Company's directors. Independent non-executive Directors are entitled to receive emolument of HK$30,000 per year during their appointment. Both non-executive Directors and independent non-executive Directors are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the share option scheme of the Company.

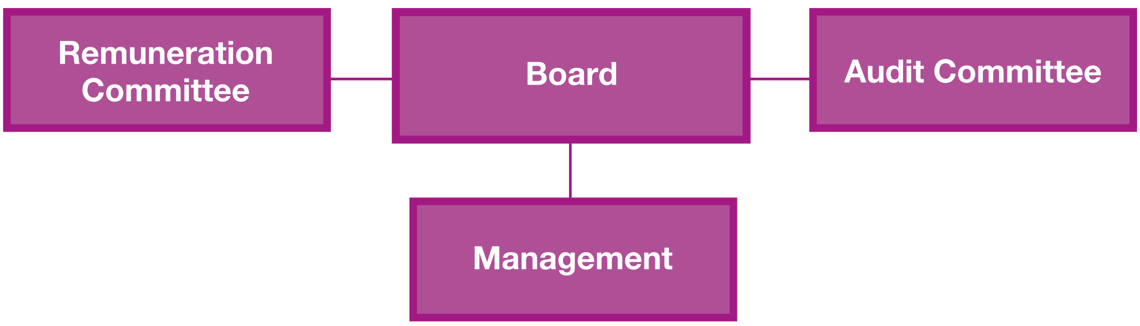
All Directors are subject to the general requirement of retirement by rotation of one-third of the Directors in each annual general meeting of the Company under its articles of association.

The Board is accountable to the shareholders and lead the Group in an ethical, responsible and effective manner. The Board sets the overall strategic directions of the Group, monitors its performance and provides proper supervision on effective management. The Board has identified a number of areas which it has direct responsibility in making the decision, such as approval of financial results, material acquisitions or disposals of assets, significant investments and key human resources. The Board meets on a regular basis and as when necessary to address any specific significant matters that may arise.

The Board has delegated the authority and responsibility for implementing business strategies and management of the daily operations of the Company to the management. The Board is empowered to access any corporate information from senior management and the company secretary at all times. The Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors are allowed to seek independent professional advice in performing their Directors' duties at the Company's expense, but no request was made by any Director for such independent professional advice in 2007.

BOARD'S COMMITTEES

To assist in the execution of its responsibilities, the Board has established two Board committees, namely Audit Committee and Remuneration Committee. These committees function within clearly defined terms of reference. Independent non-executive Directors play a significant role in these committees to ensure that the independent and objective views are taken.



AUDIT COMMITTEE

All the members of the Audit Committee are independent non-executive Directors. At least one of the members has appropriate professional qualifications or accounting or related financial management expertise as required under the GEM Listing Rules. The Audit Committee members is set out in page 5 of the annual report.

The Audit Committee met four times in 2007 to review with the senior management and external auditors the Group's significant internal controls and financial matters as set out in the Audit Committee's terms of reference. The Committee's review covers the audit plans, audit findings, external auditor's independence, the Group's accounting principles and practices, GEM Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters. The Audit Committee has the power to conduct investigations into any matter within the scope of responsibility of the Audit Committee. The Audit Committee is authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities.

The Audit Committee has obtained written confirmation from the external auditors, PricewaterhouseCoopers, on their independence and objectivity as required under the Section 290.30 of the International Federation of Accountant Code of Ethics for Professional Accountants (as reflected in Section 290.30 of the Hong Kong Institute of Certified Public Accountants Code of Ethics for Professional Accountants) prior to the commencement of the audit of the Company's financial statements for the year ended 31 December 2007.

The Audit Committee has been satisfied with the review of the audit scope, process and effectiveness, independence of PricewaterhouseCoopers.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of five members, the majority of whom are independent non-executive Directors. The Remuneration Committee members are set out in page 5 of the annual report.

The aim of the Remuneration Committee is to formulate transparent procedures for developing remuneration policies and packages for Directors and the senior management of the Group. Its duties include (i) to review and recommend the remuneration packages of the Directors and senior management of the Group; (ii) to review the administration of the share option scheme of the Company; and (iii) to review the appropriateness of compensation for Directors and the senior management of the Group. No Directors is involved in determining his own remuneration. The Remuneration Committee met twice in 2007 to review the existing remuneration policy.

The number of the Board meetings and the Board's committee meetings held for the year ended 31 December 2007 and the attendance of each Director are as follow:

		No. of meetings attended/held	
	Board	**Audit Committee**	**Remuneration Committee**
Executive Directors			
Chi Wen Fu	8/9	–	–
Shum Sai Chit	8/9	–	2/2
Zhou Xing Dun	8/9	–	–
Non-executive Directors			
Wong May Yuk	3/9	–	–
Zou Li	6/9	–	
Wu Wen Jing, Benjamin	9/9	–	2/2
Chi Bi Fen	6/9	–	–
Independent non-executive Director			
Kwong Ping Man	9/9	4/4	2/2
Cheung Sound Poon (resigned on 31 May 2007)	3/9	2/4	1/2
Shen Yi Min	7/9	3/4	2/2
To Yan Ming, Edmond (appointed on 30 August 2007)	1/9	1/4	0/2

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year, 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (THE "CEO")

Chi Wen Fu, the founder of the Group, currently holds both the roles of the Chairman and the CEO. This structure is not complied with the code provision of the CCGP. However, the Board is of the view that it is for the best interests of the Group to adopt a single leadership structure, as Mr. Chi possesses extensive experience and knowledge in the field of agriculture and he is playing significant role in establishing the strategic decision and the overall management of the Group. This structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board considers that there is no suitable professional or expertise in the market to fill the position of CEO at this stage. In light of the single leadership structure, sufficient safeguards are established to ensure that the management is accountable to the Board as a whole. The Chairman/CEO ensures that Board meetings are held regularly and when necessary. The Chairman/CEO ensures that Board members are provided with complete, adequate, accurate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. The Chairman/CEO ensures that all Directors have unrestricted access to the documents or information kept by the Group and professional advice when necessary.

AUDITOR'S REMUNERATION

The Company has appointed PricewaterhouseCoopers as the auditor of the Group (the "Auditor") since the listing date. The Board is authorized in the annual general meeting to determine the remuneration of the Auditor. During the year, the Auditor perform the work of statutory audit for the year of 2007 and also involve in non-audit assignment to calculate certain financial ratios for the purpose of assessing the Group's compliance of certain financial covenants under the IFC loan. The Audit Committee was satisfied that the non-audit services provided did not affect the independence of the Auditor. The remuneration of the Auditor for the year of 2006 and 2007 are as follows:

	Year 2007	Year 2006
Audit services	**HK$1,330,000**	HK$895,000
Non-audit services	**HK$35,000**	HK$30,000

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors are responsible for the preparation of the financial statements, which give a true and fair view of the affairs of the Company and the Group and in compliance with the applicable disclosure provisions of the GEM Listing Rules. The Auditor is responsible to express an opinion, on the financial statements based on the audit and to report the opinion solely to the shareholders of the Company as a body, and for no other purpose.

RISK MANAGEMENT

The Company improves its business and operational activities by identifying the areas of significant business risks via a regular review and taking appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Board and Audit Committee.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognizes the importance of open communication and fair disclosure. It is the Company's policy to ensure that all shareholders are equally informed of all major corporate developments. All shareholders have proper notice of annual general meeting of the Company at which the Directors and the committees member are available to give explanation on any query raised by the shareholders. Any enquiries by the shareholders requiring the Board's attention can also be sent in writing to the Company Secretary at the Company's business address in Hong Kong.

As part of a regular program of investor relations, we organized briefings or road shows in Hong Kong and abroad after the results announcement. We also participated in conferences or meeting with investors and analysts to enhance their understanding of the Group. Company visits are regularly arranged for the investors or analysts or can be arranged upon specific request. Investors or the public can access our up-to-date information through the Company's website which provides financial information and the latest development of the Group.

The Directors submit their report together with the audited financial statements for the year ended 31 December 2007, which are set out on pages 36 to 92.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are production and sale of fertilizers and bio-pesticides in the PRC. Particulars of the Company's subsidiaries are shown under note 9 to the financial statements.

An analysis of the Group's performance for the year by business segment is set out in note 5 to the financial statements. The Directors consider that the Group's operations are principally carried out in the PRC. Accordingly, no geographical segment results are presented.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 40 of the annual report.

The Board declared an interim dividend for 2007 of HK0.4 cents per Share, a totaling HK$9,308,100, which was paid on 17 September 2007.

The Board recommends the payment of a final dividend for 2007 of HK0.4 cents per Share. Subject to the approval of the 2007 final dividends by the shareholders at the annual general meeting to be held on 28 April 2008, it is expected that those dividends will be paid on 28 May 2008 to the shareholders registered on 28 April 2008. The share registrar will be closed from 23 April 2008 to 28 April 2008, both date inclusive.

FIVE YEARS FINANCIAL SUMMARY

A financial summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 7 of the annual report.

PROPERTY PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 6 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 13 to the financial statements.

RESERVES

Movement in the reserves of the Company and the Group during the year are set out in the Statement of Changes in Equity on pages 41 and 42 of the annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2007, calculated under section 79B of the Companies Law (2004 Revision) of the Cayman Islands, amounted to RMB673,555,000 (2006: RMB184,711,000).

BANK AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2007 amounted to RMB110,678,000 (2006: RMB110,482,000). Details of which are set out in note 15 to the financial statements.

FINANCE COST CAPITALIZED

No finance costs (2006: RMB628,000) was capitalized by the Group during the year.

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

The Company completed a shares placement of 300 million existing Shares to over 20 institutional investors at a placing price of HK$1.88 per Share on 14 February 2007 and completed a subscription of 250 million new Shares by Alpha Sino International Limited, being the substantial shareholder of the Company, at a subscription price of HK$1.88 per Share on 23 February 2007. The net proceed from the subscription were approximately HK$456 million and were intended to finance future expansion as well as general working capital.

The Company repurchased an aggregate of 109,105,000 Shares on The Stock Exchange of Hong Kong Limited at the average purchase price of HK$0.502 per Share from 12 November 2007 to 20 November 2007 under the general mandate granted by the shareholders of the Company in the annual general meeting of the Company held on 30 April 2007. The purchase including the transaction cost involved a total cash outlay of approximately HK$55 million and was for the purpose to increase the earnings and net asset value per Share so as to maximize the return of shareholders' investment in the Company.

Save as disclosed above, neither the Company nor its subsidiaries had purchased or sold any of the Shares during the year ended 31 December 2007 and the Company has not redeemed any of its Shares during the year ended 31 December 2007.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme approved on 31 January 2004 (the "Scheme") is to attract and retain the best quality employees for the development of the Company's businesses and to provide additional incentives or rewards to selected qualifying participants of the Scheme for their contribution to the creation of the Company's shareholders value. 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.

The subscription price is not less than the highest of (i) the closing price of the Shares on GEM as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the Shares on GEM as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of a Share of HK$0.02. The maximum number of Shares in respect of which options may be granted under the Scheme shall not, in aggregate, exceed 30% of the issued share capital of the Company from time to time.

The Company can issue options so that the total number of Shares that may be issued upon exercise of all options to be granted under the Scheme does not in aggregate exceed 10% of the Shares in issue on the date of approval of the Scheme. The Company may refresh this 10% limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the GEM Listing Rules provided that the number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes does not exceed 30% of the Shares in issue from time to time.

As at 31 December 2007, options to subscribe for a total of 58,275,000 Shares were still outstanding under the Scheme, which represents approximately 2.6% of the issued ordinary Shares of the Company.

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

(A) Share options granted on 11 October 2004

	Held at at 1 January 2007	Options exercised during the year	Options lapsed/ cancelled during the year	Held at 31 December 2007	Exercise price HK$	Exercisable in January 2009
(A) Employee						
	32,775,000	(1,500,000)	–	31,275,000	0.126	31,275,000
(B) Director						
Zhou Xing Dun	7,000,000	–	–	7,000,000	0.126	7,000,000
Chi Bi Fen	7,500,000	–	–	7,500,000	0.126	7,500,000
	47,275,000	**(1,500,000)**	**–**	**45,775,000**		**45,775,000**

(B) Share options granted on 17 June 2005

	Held at 1 January 2007	Options exercised during the year	Options lapsed/ cancelled during the year	Held at 31 December 2007	Exercise price HK$	Exercisable between July 2008 and March 2009
(A) Employee						
	32,775,000	(26,750,000)	–	31,275,000	0.294	31,275,000
(B) Directors						
Wu Wen Jing, Benjamin	2,500,000	(2,500,000)	–	–	0.294	–
Kwong Ping Man	1,750,000	(750,000)	–	1,000,000	0.294	1,000,000
	42,500,000	**(30,000,000)**	**–**	**12,500,000**		**12,500,000**

Notes:

1. During the year, no options were granted.

2. On 9 July 2007, 30,000,000 options were exercised and the closing price per Share at the preceding trading date was HK$1.44.

3. On 17 December 2007, 1,500,000 options were exercised and the closing price per Share at the preceding trading date was HK$0.43.

DIRECTORS

The Directors during the year were as follows:

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 Yin Min
Cheung Sound Poon *(resigned on 31 May 2007)*
Kwong Ping Man
To Yan Ming, Edmond *(appointed on 30 August 2007)*

In accordance with Article 86(3) of the Company's articles of association, Mr. To Yan Ming, Edmond will retire at the forthcoming annual general meeting of the Company.

In accordance with Article 87 of the Company's articles of association, Ms, Zou Li, Ms. Wong May Yuk, Mr. Wu Wen Jing, Benjamin and Ms. Chi Bi Fen will retire from office by rotation at the forthcoming annual general meeting of the Company. Ms. Wong May Yuk, Mr. Wu Wen Jing, Benjamin and Ms. Chi Bi Fen, being eligible, would offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The brief biographical details of the Directors and senior management are set out on pages 31 to 33 of the annual report.

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

As at 31 December 2007, the relevant interests and short positions of the Directors or chief executive of the Company and their associate in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as required to be recorded in the register to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing under the GEM Listing Rules 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	41.66%
Zhou Xing Dun	3,000,000	–	3,000,000	Beneficial owner	0.14%
Wu Wen Jing, Benjamin	3,525,000	–	3,525,000	Beneficial owner	0.16%

Notes:

1. 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.

(ii) 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 December 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), as required to be recorded in the register to be kept by the Company under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing under the GEM Listing Rules.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year 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 IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 31 December 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	Number of Shares	Nature	Percentage of issued share capital of the Company
Chi Wen Fu	924,534,850 *(Note 1)*	Long position	41.66%
Alpha Sino	918,484,850 *(Note 2)*	Long position	41.38%

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. Pursuant to a share mortgage dated 13 November 2006, Alpha Sino had 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers were as follows:

Purchases	
– the largest supplier	21.6%
– five largest suppliers combined	78%
Sales	
– the largest customer	2.6%
– five largest customers combined	9.8%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the period under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, 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.

PRE-EMPTIVE RIGHT

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on pro-rata basis to existing shareholders of the Company.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 17 to 21 of the annual report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements for each financial period which give true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2007, the Directors have selected suitable accounting policies and applied them consistently except for those policies as stated in note 2 to the financial statements; made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the ongoing concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITOR

The financial statements for the year ended 31 December 2007 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By order of the Board
Shum Sai Chit
Executive Director

Hong Kong, 19 March 2008

EXECUTIVE DIRECTORS

CHI Wen Fu (池文富): aged 45, is the Chairman and Chief Executive Officer of the Group responsible for overall strategic direction and key operating decisions. Mr. Chi graduated from Fujian Light Industry Technical College (福建省輕工業技術學校) in 1981 specialising in Chemical Analysis. Mr. Chi became a qualified lawyer in the PRC in 1989 and joined Fuzhou Justice Bureau Commerce Law Office (福州市司法局經濟律師事務所). Mr. Chi left Fuzhou Justice Bureau Commerce Law Office and set up a law office in Fuzhou in 1995 in which he was the managing partner. In early 1998, Mr. Chi started initial research on organic agricultural production and funded a project on research and development of microbial compound fertilizer products. Mr. Chi established the Group in 2000.

SHUM Sai Chit (沈世捷): aged 50, is the Chief Operation Officer of the Group responsible for investment and commercial activities of the Group in Hong Kong. Mr. Shum is a graduate from Longxi Finance Training College (龍溪地區財貿幹部學校) specializing in Consumer Product Pricing Statistics. Mr. Shum joined Fujian Textiles Import and Export Corporation (福建省紡織品進出口公司) as a manager in 1984 responsible for importing and exporting of textile products. Mr. Shum became the managing director of Go Modern Limited which was principally engaged in the business of manufacturing of textile products and trading activities. Mr. Shum joined the Group in January 2002.

ZHOU Xing Dun (周性敦): aged 68, is the Chief Technology Officer of the Group mainly responsible for research and development of the Group's products. Currently, Professor Zhou is also responsible for the Group's overall production and sales in the PRC. Professor Zhou is a graduate from Beijing Geological Institute (北京地質學院), presently known as China Geological University (中國地質大學), in the PRC in 1962. Before joining the Group in January 2002, Professor Zhou was a professor at the Institute of Natural Resource and Environment of Fujian Agriculture and Forestry University (福建農林大學資源與環境學院) in the PRC. Professor Zhou has over 30 years of experience in the field of geology, ecology, fertilizer and environmental protection.

NON-EXECUTIVE DIRECTORS

WONG May Yuk (黃美玉): aged 65, is the Chairman of Go Modern Limited. Ms. Wong has over 30 years experience in garment manufacturing, trading, property development in both Hong Kong and the PRC. Ms. Wong is also the Vice Chairman of a private school, the Fuzhou Li Ming Private School (福州黎明私立學校), and a director of a public high-school, the Fuzhou Yan An High School (福州延安中學), in Fuzhou, Fujian Province, the PRC. Ms. Wong joined the Group in October 2003.

ZOU Li (鄒勵): aged 40. Ms. Zou is a graduate from Fujian Government Departments Open University (福建省直屬機關業餘大學) in the PRC with a major in Finance. Ms. Zou has over 15 years of experience in corporate accounting in the PRC. Before joining the Group in January 2000, Ms. Zou worked for Fuzhou Yinguang Factory (福州市瀛光工業綜合廠), a collectively owned enterprise in the PRC and Fujian Zhuang Zhuan Property Company Ltd. (福建壯昌房地產有限公司), a private enterprise in the PRC.

WU Wen Jing, Benjamin (吳文京): aged 39. Mr. Wu has over 10 years of investment banking experience in Hong Kong and Australia. He possesses a master degree in Banking and Finance. Currently, Mr. Wu is also an independent non-executive director of Yunnan Enterprises Holdings Limited, a company listed on the Stock Exchange.

CHI Bi Fen (池碧芬): aged 49, is presently the Deputy General Manager of Green Land Bio-Products Company Limited, a wholly owned subsidiary of the Company. Before joining Green Land Bio-Products Company Limited in March 2000, she was a Deputy General Manager of an electrical equipment company for more than 17 years. She has a diploma in Accounting and Finance from Fujian Province Adult College (福建省成人中等專業學校) in the PRC. Ms. Chi has extensive experience in the field of accounting, taxation and finance in the PRC for more than 15 years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

SHEN Yi Min (沈毅民): aged 43, 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 43, 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.

TO Yan Ming, Edmond (杜恩鳴), aged 35, is a practicing accountant and currently the director of Edmond To C.P.A. Limited. Mr. To holds a bachelor degree in Commerce in Accounting from Curtin University of Technology in Western Australia. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has over 9 years of experience in auditing, accounting and taxation matters. Mr. To is also the independent non-executive director of China Vanguard Group Limited and Aptus Holdings Limited both listed on the GEM.

SENIOR MANAGEMENT

REN Jian Fei (任建飛): aged 47, is the Chief Corporate Affairs Officer of the Group responsible for the overall corporate activities including public relations and communications management of the Group. Mr. Ren completed a postgraduate course at the Postgraduate School of Xiamen University (廈門大學) with a major in Business Administration. Before joining the Group in January 2000, he was an executive at a large manufacturer of agriculture-related products in the PRC responsible for administration of corporate activities.

KOH Tze Chin, Kevin (許子晨): aged 51, is currently the director of Century Sunshine (Australia) Limited, a wholly-owned subsidiary of the Company. Mr. Koh is an Australian graduate. He had been the State General Manager of a public listed company in Malaysia. In 1991, he joined a Management Consulting Company in Perth as a Regional Manager. He started his own management consulting company in 2002. Mr. Koh joined the Group in 2006.

CHEN Li Wen (陳利文): aged 34, is the Finance Manager of the Group responsible for the accounting and finance matter of the Group. Ms. Chen is a graduate from Southwestern Jiaotong University in the PRC with a major in Business Administration and she possesses the title of accountant in the PRC. Ms Chen served as the head of finance department at a corporation in Fujian province prior to joining the Group in March 2005.

REN Jian Xin (任建新): aged 54, is currently the chairman of Jiangsu Azureblue Technology Development Company Limited, a non-wholly-owned subsidiary of the Company. Mr. Ren is a graduate of Fujian Normal University majoring in Political Economics and possesses the title of economist in the PRC. Mr. Ren joined the Group in June 2007 and he previously served as the general manager and director of Fujian San Ming Dong Min Automobile Company Limited (福建三明東閩汽車有限公司).

CHEN Ru Mao (陳儒茂): aged 37, is the sales manager responsible for the Group's sales of fertilizer and bio-pesticide products. Mr. Chen is a graduate from Fuzhou University (福州大學). He possesses a degree in Bachelor of Engineering and the title of economist in the PRC. Before joining the Group in July 2004, Mr. Chen was a deputy factory manager at a large food processing factory.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

TANG Ying Kit (鄧英傑): aged 34, is the Chief Financial Officer and Company Secretary of the Group. Prior to joining the Group in April 2003, he served as the finance manager with Guangdong Assets Management Limited and Guangdong Enterprise (Holdings) Limited for a total of 5 years. He has a Bachelor degree in Business Administration in Finance from the Hong Kong University of Science and Technology and is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

To the shareholders of Century Sunshine Ecological Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Century Sunshine Ecological Technology Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 36 to 92, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2008

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**162,235**	130,842
Land use rights	7	**20,587**	4,275
Prepayment for acquisition of land	7	**-**	7,372
Intangible assets	8	**3,475**	5,618
		186,297	148,107
Current assets			
Inventories	10	**36,752**	5,432
Trade and other receivables	11	**77,291**	27,747
Cash and cash equivalents	12	**792,914**	384,827
		906,957	418,006
Total assets		**1,093,254**	566,113
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**46,426**	43,194
Share premium	13	**557,020**	156,703
Other reserves	14	**51,572**	42,175
Retained earnings			
-Proposed final dividend	23	**8,345**	22,970
-Others		**211,772**	172,666
		875,135	437,708
Minority interest		**49,062**	-
Total equity		**924,197**	437,708

		As at 31 December	
		2007	2006
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	15	**110,678**	110,482
Current liabilities			
Trade and other payables	16	**51,154**	10,342
Current income tax liabilities		**7,225**	7,581
		58,379	17,923
Total liabilities		**169,057**	128,405
Total equity and liabilities		**1,093,254**	566,113
Net current assets		**848,578**	400,083
Total assets less current liabilities		**1,034,875**	548,190

Chi Wen Fu
Director

Shum Sai Chit
Director

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

BALANCE SHEETS

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**92**	230
Investments in subsidiaries	9	**1,803**	1,803
		1,895	2,033
Current assets			
Prepayments and deposits	11	**294**	19
Amounts due from subsidiaries	9	**293,991**	104,963
Dividend receivable		**230,814**	88,200
Cash and cash equivalents	12	**194,712**	33,973
		719,811	227,155
Total assets		**721,706**	229,188
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**46,426**	43,194
Share premium	13	**557,020**	156,703
Other reserves	14	**6,781**	3,292
Retained earnings			
-Proposed final dividend	23	**8,345**	22,970
-Others		**101,409**	1,746
Total equity		**719,981**	227,905

	Note	As at 31 December 2007 RMB'000	2006 RMB'000
LIABILITIES			
Current liabilities			
Accruals and other payables	16	**1,725**	1,283
Total liabilities		**1,725**	1,283
Total equity and liabilities		**721,706**	229,188
Net current assets		**718,086**	225,872
Total assets less current liabilities		**719,981**	227,905

Chi Wen Fu
Director

Shum Sai Chit
Director

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 31 December 2007 RMB'000	 2006 RMB'000
Revenue	5	**322,102**	312,695
Cost of sales	17	**(201,298)**	(152,410)
Gross profit		**120,804**	160,285
Selling and marketing costs	17	**(10,760)**	(10,667)
Administrative expenses	17	**(42,813)**	(23,599)
Operating profit		**67,231**	126,019
Finance income	19	**17,828**	12,258
Finance costs	19	**(6,348)**	(767)
Profit before income tax		**78,711**	137,510
Income tax expense	20	**(15,916)**	(9,802)
Profit for the year		**62,795**	127,708
Attributable to:			
Equity holders of the Company	21	**63,953**	127,708
Minority interest		**(1,158)**	-
		62,795	127,708
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
-basic	22	**2.82 cents**	6.35 cents
-diluted	22	**2.74 cents**	6.05 cents
Dividends	23	**17,374**	31,286

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company					
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Minority interest RMB'000	Total RMB'000
Balance at 1 January 2006		42,074	137,639	29,972	102,401	3	312,089
Disposal of subsidiaries		–	–	–	–	(3)	(3)
Translation differences		–	–	(11)	–	–	(11)
Net expense recognised directly in equity		–	–	(11)	–	(3)	(14)
Profit for the year		–	–	–	127,708	–	127,708
Total recognised (expense)/income for 2006		–	–	(11)	127,708	(3)	127,694
Appropriation of retained earnings		–	–	11,655	(11,655)	–	–
Transfer of reserves upon exercise of share options	14	–	3,717	(3,717)	–	–	–
Share option scheme							
-value of employee services	14	–	–	4,276	–	–	4,276
-proceed from shares issued	13	1,120	15,347	–	–	–	16,467
Dividend paid relating to 2005	23	–	–	–	(14,502)	–	(14,502)
Dividend paid relating to 2006	23	–	–	–	(8,316)	–	(8,316)
		1,120	19,064	12,214	(34,473)	–	(2,075)
Balance at 31 December 2006		43,194	156,703	42,175	195,636	–	437,708

	Note	Attributable to equity holders of the Company					
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Minority interest RMB'000	Total RMB'000
Balance at 1 January 2007		43,194	156,703	42,175	195,636	–	437,708
Translation differences		–	–	28	–	–	28
Net income recognised directly in equity		–	–	28	–	–	28
Profit/(loss) for the year		–	–	–	63,953	(1,158)	62,795
Total recognised income/(expense) for 2007		–	–	28	63,953	(1,158)	62,823
Appropriation of retained earnings		–	–	5,880	(5,880)	–	–
Issue of shares	13(b)	4,900	441,840	–	–	–	446,740
Transfer of reserves upon exercise of share options	14	–	2,581	(2,581)	–	–	–
Share option scheme							
-value of employee services	14	–	–	1,792	–	–	1,792
-proceed from shares issued	13(c)	614	8,166	–	–	–	8,780
Contribution from minority shareholders		–	–	–	–	50,220	50,220
Repurchase of shares		(2,282)	(52,270)	4,278	(2,282)	–	(52,556)
Dividend paid relating to 2006	23	–	–	–	(22,281)	–	(22,281)
Dividend paid relating to 2007	23	–	–	–	(9,029)	–	(9,029)
		3,232	400,317	9,369	(39,472)	50,220	423,666
Balance at 31 December 2007		46,426	557,020	51,572	220,117	49,062	924,197

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2007 RMB'000	2006 RMB'000
Cash flows from operating activities			
Cash generated from operations	24	**56,069**	150,906
Interest received		**17,828**	3,715
Income tax paid		**(16,272)**	(6,885)
Net cash generated from operating activities		**57,625**	147,736
Cash flows from investing activities			
Purchase of property, plant and equipment		**(50,885)**	(68,509)
Refund of deposits for acquisition of machinery	6(a)(iii)	**5,605**	–
Disposal of subsidiaries		**–**	(3)
Purchase of land use rights		**(9,124)**	–
Payment for acquisition of land use rights		**–**	(342)
Additions of intangible assets		**–**	(1,755)
Net cash used in investing activities		**(54,404)**	(70,609)
Cash flows from financing activities			
Proceeds from placing of shares	13(b)	**446,740**	–
Proceeds from shares issued pursuant to the employee share option scheme	13(c)	**8,780**	16,467
Repurchase of shares	13	**(52,556)**	–
Proceeds from borrowings		**–**	131,025
Repayment of borrowings		**–**	(33,312)
Interest paid		**(5,076)**	(348)
Contribution from minority shareholders		**50,220**	–
Dividends paid to the Company's shareholders		**(31,310)**	(22,818)
Net cash generated from financing activities		**416,798**	91,014
Net increase in cash and cash equivalents		**420,019**	168,141
Cash and cash equivalents at beginning of the year		**384,827**	218,993
Exchange losses on cash and cash equivalents		**(11,932)**	(2,307)
Cash and cash equivalents at end of the year		**792,914**	384,827

The notes on pages 44 to 92 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Century Sunshine Ecological Technology Holdings Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in the reseach and development, production and distribution of organic fertilizers, compound fertilizers and biological pesticides.

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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company has been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited since 17 February 2004.

These consolidated financial statements are presented in Chinese Reminbi (RMB), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) *Standards, amendments and interpretations effective in 2007*

- HKFRS 7, 'Financial instruments: Disclosures', and the complementary Amendment to HKAS 1, 'Presentation of Financial Statements-Capital Disclosures', introduces new disclosures relating to financial instruments. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the credit risk analysis of trade receivables, sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1.

- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. Except for the share options granted by the Company which have been measured pursuant to HKFRS2, the Group did not issue equity instruments at prices lower than their fair values for the purpose of payment of goods and services supplied to the Group. Accordingly, this standard does not have any impact on the Group's consolidated financial statements.

- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group has complied with this standard from 2007 onwards.

(b) *Standards, amendments and interpretations effective in 2007 but not relevant for the Group's operations*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, 'Apply the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economic'; and

- HK(IFRIC)-Int 9, 'Re-assessment of embedded derivatives'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs/HKFRSs. The Group will apply IAS/HKAS 1 (Revised) from 1 January 2009.

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009 but it is not expected to have any material impact on the Group's financial statements.

- HKFRS 8, 'Operating segments ' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it is likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner to conform with the internal reporting provided to the chief operating decision-maker. As goodwill has to be allocated to groups of cash-generating units at segment level, the change will also require management to reallocate the goodwill balance to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them: (Continued)

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC)-Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 11-HKFRS 2 – "Group and treasury share transactions" (effective for the annual periods beginning on or after 1 March 2007). This interpretation addresses the treatment of share-based payment arrangements involving an entity's own entity instruments and equity instruments of the parent. The Group will apply HK(IFRIC) – Int 11 – HKFRS 2 from 1 January 2008, but it is not expected to result in substantial impact on the Group's financial statements.

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC)-Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC)-Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Note 2.6(a)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) *Transactions with minority interest*

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Chinese Reminbi, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) *Group companies (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Construction-in-progress represents buildings on which construction work has not been completed and machinery pending installation, and is stated at cost, which includes construction expenditure incurred, cost of machinery, interest capitalised and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. On completion, construction-in-progress is transferred to appropriate categories of property, plant and equipment.

Buildings comprise mainly factories. Buildings and other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate cost less their estimated residual values over their estimated useful lives, as follows:

– Buildings	5 to 10 years
– Leasehold improvements	2 to 5 years
– Plant and machinery	5 years
– Furniture and office equipment	5 years
– Motor vehicles	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within the administrative expense in the consolidated income statement.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (Note 2.7).

(b) Technical know-how

Expenditure on acquired technical know-how is capitalised and amortised using the straight-line method over its estimated useful life of 5 years, from the date when the technical know-how is available for use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

(c) Research and development costs

Research expenditure is recognised as an expense as incurred. Cost incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial or other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life of 5 years.

Development assets are tested for impairment annually, in accordance with HKAS 36 (Note 2.7).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement under "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

2.12 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee Benefits

(a) *Pension obligations*

Group companies operate various defined contribution plans. The plans are generally funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee Benefits (Continued)

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) *Bonus plan*

The Group recognises a liability and an expense for bonuses based on the amount approved by the management or the remuneration committee, as appropriate. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods 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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.18 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.19 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities and deferred government grants are recognised in the income statement on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and fair value interest rate risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

(a) Foreign exchange risk

The Group operates in Mainland China, Hong Kong and Australia and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars and the Australian dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group’s management does not expect the net foreign currency risk from these activities to be significant and hence, the Group does not presently hedge the foreign exchange risks. The Group periodically reviews liquid assets and liabilities held in currencies other than Chinese Renminbi to evaluate its foreign exchange risk exposure.

At 31 December 2007, if Chinese Renminbi had weakened/strengthened by 5% against the Hong Kong dollars with all other variables held constant, post tax profit for the year would have been RMB11,257,000 (2006: RMB1,794,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Hong Kong dollar-denominated cash and cash equivalents.

At 31 December 2007, if Chinese Renminbi had weakened/strengthened by 5% against the Australian dollars with all other variables held constant, equity would have been RMB10,000 (2006: Nil) lower/higher, arising mainly from foreign exchange gains/losses on translation of Australian dollar-denominated property, plant and equipment.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. The Group's bank deposits are placed in high quality financial institutions without significant exposure to credit risk.

The Group uses certain employees' bank accounts as collection channels for trade receivable settlement by certain customers in the rural area. As at 31 December 2007, the Group's cash and cash equivalents of RMB163,000 (2006: RMB284,000) were deposited in bank accounts held in the name of employees, which is subject to credit risk. The Group mitigates such risk by imposing control procedures to control the operations of these accounts.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 31 December 2007	**Less than 1 year** RMB'000	**Between 1 and 2 years** RMB'000	**Over 2 years** RMB'000
Borrowings	**–**	**–**	**120,000**
Interest payment on borrowings (i)	**6,456**	**6,456**	**25,824**
Trade and other payables	**51,154**	**–**	**–**
Current income tax liabilities	**7,225**	**–**	**–**

As at 31 December 2006	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000
Borrowings	–	–	120,000
Interest payment on borrowings (i)	6,191	6,456	32,280
Trade and other payables	10,342	–	–
Current income tax liabilities	7,581	–	–

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2006 and 2007.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) *Fair value interest rate risk*

Interest income from bank deposits contributed approximately 28% of the Group's profit for the year ended 31 December 2007. The Group obtains market returns from its bank balances by placing bank deposits in bank accounts which yield market interest rates. The Group has no other significant interest-bearing assets.

The Group's interest-rate risk arises from long-term borrowings. The Group's borrowings were issued at fixed rates, which expose the Group to fair value interest-rate risk.

If interest rates on borrowings as at 31 December 2007 had been 10 basis points (0.1% per annum) higher/lower than the actual effective interest rate, the Group's net profit would have been approximately RMB438,000 higher/lower as a result of a decrease/increase in fair value of fixed rate borrowings.

As management considers the Group's exposure to the above fair value interest rate risk is not significant, no interest-rate swaps or other hedging activities are undertaken by management during the year.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as 'equity', as shown in the consolidated balance sheet.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

During the year ended 31 December 2007, the Group's strategy, which was unchanged from that of the year ended 31 December 2006, is to maintain a gearing ratio within 30%. The gearing ratios as at 31 December 2007 and 2006 were as follows:

	2007	2006
	RMB'000	RMB'000
Total borrowings (Note 15)	**110,678**	110,482
Total equity	**924,197**	437,708
Gearing ratio	**12%**	25%

The decrease in gearing ratio was mainly due to the increase in capital base of the Group pursuant to the issue of shares during the year ended 31 December 2007.

3.3 Fair value estimation

The carrying amounts of the Group's cash and cash equivalents, trade and other receivables, and financial liabilities including trade and other payables and current income tax liabilities approximate their fair values due to their short maturities. The carrying values less any estimated credit adjustments for financial assets with a maturity of less than one year are a reasonable approximation of their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of property, plant and equipment and intangible assets (excluding goodwill)

The Group evaluates whether property, plant and equipment and intangible assets (excluding goodwill) have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units represent the higher of the asset's fair value less costs to sell and its value-in-use. The calculations of fair value less costs to sell or value-in-use require the use of estimates.

The Group assessed impairment of the Yunxiao Plant (Note 6(a)(ii)) based on its fair value less costs to sell. The valuation is made based on depreciated replacement cost approach. Depreciated replacement cost is the current cost of replacement of a property less deduction for physical deterioration and all relevant forms of obsolescence. Had the assumed depreciated replacement costs increased/decreased by 3%, the impairment charge for the year ended 31 December 2007 would have been decreased/increased by approximately Rmb1,851,000.

(b) Estimated useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Fair value estimation of share options

The Group estimates the fair value of share options using the Black-Scholes valuation model which involves the use of estimates. Details of the significant inputs to the valuation model are disclosed in Note 13.

(d) Income taxes

The Group is subject to income taxes in jurisdictions where the Group operates. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 REVENUE

(a) Turnover

The Group is principally engaged in the research and development, production and distribution of organic fertilizers, compound fertilizers and biological pesticides. Turnover is as follows:

	2007 RMB'000	2006 RMB'000
Sale of organic fertilizers	243,028	301,026
Sale of compound fertilizers	67,805	–
Sale of biological pesticides	11,269	11,669
	322,102	312,695

(b) Segment information

Primary reporting format – business segments

At 31 December 2007, the Group has three main business segments:

(1) Manufacturing and sales of organic fertilizers;
(2) Manufacturing and sales of compound fertilizers; and
(3) Manufacturing and sales of biological pesticides

5 REVENUE (Continued)

(b) Segment information (Continued)

The segment results for the year ended 31 December 2007 are as follows:

	Organic fertilizers RMB'000	Compound fertilizers RMB'000	Biological pesticides RMB'000	Unallocated RMB'000	Group RMB'000
Total segment revenue	**243,727**	**72,954**	**11,269**	**–**	**327,950**
Inter-segment revenue	**(699)**	**(5,149)**	**–**	**–**	**(5,848)**
Revenue	**243,028**	**67,805**	**11,269**	**–**	**322,102**
Segment results	**92,000**	**(618)**	**(1,796)**	**(22,355)**	**67,231**
Finance income					**17,828**
Finance costs					**(6,348)**
Profit before income tax					**78,711**
Income tax expense					**(15,916)**
Profit for the year					**62,795**

The segment results for the year ended 31 December 2006 are as follows:

	Organic fertilizers RMB'000	Compound fertilizers RMB'000	Biological pesticides RMB'000	Unallocated RMB'000	Group RMB'000
Total segment revenue	301,579	–	11,669	–	313,248
Inter-segment revenue	(553)	–	–	–	(553)
Revenue	301,026	–	11,669	–	312,695
Segment results	145,079	–	(5,932)	(13,128)	126,019
Finance income					12,258
Finance costs					(767)
Profit before income tax					137,510
Income tax expense					(9,802)
Profit for the year					127,708

5 REVENUE (Continued)

(b) Segment information (Continued)

Primary reporting format – business segments (Continued)

Other segment items included in the consolidated income statement are as follows:

	Year ended 31 December 2007				
	Organic fertilizers RMB'000	Compound fertilizers RMB'000	Biological pesticides RMB'000	Unallocated RMB'000	Group RMB'000
Depreciation of property, plant and equipment (Note 6)	13,399	2,285	2,327	230	18,241
Amortisation of land use rights and intangible assets (Notes 7 and 8)	1,201	91	400	–	1,692
Impairment charges (Notes 6 and 8)	5,763	–	–	–	5,763

	Year ended 31 December 2006				
	Organic fertilizers RMB'000	Compound fertilizers RMB'000	Biological pesticides RMB'000	Unallocated RMB'000	Group RMB'000
Depreciation of property, plant and equipment (Note 6)	11,113	–	2,654	46	13,813
Amortisation of land use rights and intangible assets (Notes 7 and 8)	1,229	–	400	–	1,629

5 SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Primary reporting format – business segments (Continued)

Segment assets consist primarily of property, plant and equipment, land use rights, intangible assets, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets mainly comprise assets held for corporate use.

Segment liabilities comprise operating liabilities and borrowing directly attributable to a segment. Unallocated liabilities mainly comprise corporate liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 6), prepayment for acquisition of land, land use right (Note 7) and intangible assets (Note 8).

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Organic fertilizers RMB'000	Compound fertilizers RMB'000	Biological pesticides RMB'000	Unallocated RMB'000	Group RMB'000
Segment assets	**661,731**	**121,504**	**20,064**	**289,955**	**1,093,254**
Segment liabilities	**141,409**	**23,299**	**2,470**	**1,879**	**169,057**
Capital expenditure (Notes 6, 7 and 8)	**28,451**	**40,994**	**68**	**4,753**	**74,266**

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Organic fertilizers RMB'000	Compound fertilizers RMB'000	Biological pesticides RMB'000	Unallocated RMB'000	Group RMB'000
Segment assets	511,803	-	19,776	34,534	566,113
Segment liabilities	125,079	-	1,988	1,338	128,405
Capital expenditure (Notes 6, 7 and 8)	69,814	-	1,144	276	71,234

Secondary reporting format – geographical segments

No geographical segment information is presented as all of the Group's business is carried out in Mainland China/Hong Kong.

6 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Freehold land (Note (i)) RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2006								
Cost	–	27,575	10,169	26,575	353	721	23,329	88,722
Accumulated depreciation	–	(2,855)	(3,138)	(6,957)	(89)	(165)	–	(13,204)
Net book amount	–	24,720	7,031	19,618	264	556	23,329	75,518
Year ended 31 December 2006								
Opening net book amount	–	24,720	7,031	19,618	264	556	23,329	75,518
Additions	–	–	952	435	54	1,485	66,211	69,137
Transfers	–	–	2,615	14,446	–	–	(17,061)	–
Depreciation (Note 17)	–	(3,476)	(2,537)	(7,478)	(79)	(243)	–	(13,813)
Closing net book amount	–	21,244	8,061	27,021	239	1,798	72,479	130,842
At 31 December 2006								
Cost	–	27,575	13,736	41,456	407	2,206	72,479	157,859
Accumulated depreciation	–	(6,331)	(5,675)	(14,435)	(168)	(408)	–	(27,017)
Net book amount	–	21,244	8,061	27,021	239	1,798	72,479	130,842
Year ended 31 December 2007								
Opening net book amount	–	21,244	8,061	27,021	239	1,798	72,479	130,842
Additions	2,987	7,289	3,967	23,490	432	692	26,285	65,142
Cancellation of contracts relating to acquisition of machinery (Note (iii))	–	–	–	–	–	–	(10,380)	(10,380)
Transfers	–	75,201	–	–	–	–	(75,201)	–
Depreciation (Note 17)	–	(3,810)	(3,942)	(9,910)	(103)	(476)	–	(18,241)
Impairment (Note (ii))	–	(4,500)	–	–	–	–	(628)	(5,128)
Closing net book amount	2,987	95,424	8,086	40,601	568	2,014	12,555	162,235
At 31 December 2007								
Cost	2,987	103,734	12,028	50,511	671	2,490	12,555	184,976
Accumulated depreciation and impairment	–	(8,310)	(3,942)	(9,910)	(103)	(476)	–	(22,741)
Net book amount	2,987	95,424	8,086	40,601	568	2,014	12,555	162,235

Notes:

(i) Freehold land is held outside Hong Kong.

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The Group (Continued)

(ii) The Group has a production premise in Yunxiao, Fujian Province ("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. As a result, the Group cannot apply for the production permit for the Yunxiao Plant for the time being. The Group intended to temporarily lease the Yunxiao Plant to other companies as production and warehousing facility and shall reassess the possibility of re-applying for a production license or determine Yunxiao Plant's usage over a time period of the following two years. The Group engaged an independent qualified valuer to perform a valuation on the recoverable amount of the Yunxiao Plant as at 31 December 2007. Based on the result of management's assessment by making reference to the valuation report issued by the independent qualified valuer, an impairment provision for the Yunxiao Plant of RMB5,128,000 was made during the year ended 31 December 2007.

(iii) Pursuant to the temporary suspension of the operations of the Yunxiao Plant (see Note (ii)), the Group cancelled certain contracts relating to the acquisition of machinery made during the year ended 31 December 2006, which amounted to Rmb10,380,000. According to termination agreements entered into between the Group and the respective vendors, prepayments for these machinery amounted to RMB4,775,000, which was recorded as construction-in-progress as at 31 December 2006, were forfeited. The remaining balance of RMB5,605,000 was refunded to the Group.

(iv) During the year, the Group established Jiangsu Azureblue Technology Development Co., Limited ("Jiangsu Azureblue"), a 51% owned subsidiary, in the Jiangsu Province for the manufacturing and sale of compound fertilizers. In June 2007, in preparation for commencement of production, Jiangsu Azureblue acquired (i) land use rights of approximately RMB7,467,000 from the Bureau of Land Resources in Donghai County of Jiangsu Province, and (ii) property, plant and equipment ("Acquired Assets") of RMB32,600,000 from Jiangsu Lungteng Chemical Co., Ltd., an independent third party. The consideration for acquisition of property, plant and equipment is made by reference to a valuation of the Acquired Assets as at 31 May 2007 prepared by an independent qualified valuer in the People's Republic of China, under the replacement cost method.

(v) Included in construction–in–progress as at 31 December 2006 was capitalised interest of approximately RMB628,000. An analysis of construction–in–progress is as follows:

	2007 RMB'000	2006 RMB'000
Buildings	8,234	61,471
Plant and machinery	4,321	11,008
	12,555	72,479

(vi) Depreciation expense of approximately RMB17,662,000 (2006: RMB13,491,000) and approximately RMB579,000 (2006: RMB322,000) has been recorded in cost of sales and administrative expenses, respectively.

(vii) Lease rentals amounting to approximately RMB1,586,000 (2006: RMB787,000) relating to the lease of buildings are included in the consolidated income statements (Note 17).

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company

	Leasehold improvements RMB'000
At 1 January 2006	
Cost	
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2006	
Opening net book amount	–
Additions	276
Depreciation	(46)
Closing net book amount	230
At 31 December 2006	
Cost	276
Accumulated depreciation	(46)
Net book amount	230
Year ended 31 December 2007	
Opening net book amount	**230**
Depreciation	**(138)**
Closing net book amount	**92**
At 31 December 2007	
Cost	**276**
Accumulated depreciation	**(184)**
Net book amount	**92**

7 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2007	2006
	RMB'000	RMB'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**20,587**	4,275

	2007	2006
	RMB'000	RMB'000
Opening	**4,275**	4,365
Additions	**9,124**	–
Transfer from prepayment for acquisition of land	**7,372**	–
Amortisation (Note 17)	**(184)**	(90)
	20,587	4,275

On 29 October 2005, the Group entered into an agreement to acquire a parcel of land in Yunxiao County, Fujian Province, Mainland China for cash consideration of approximately RMB7,372,000. The Group is in process of obtaining the land use rights of the aforementioned parcel of land.

8 INTANGIBLE ASSETS

	Goodwill RMB'000	Technical know–how RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2006				
Cost	37	3,000	5,643	8,680
Accumulated amortisation	–	(1,400)	(1,878)	(3,278)
Net book amount	37	1,600	3,765	5,402
Year ended 31 December 2006				
Opening net book amount	37	1,600	3,765	5,402
Additions	–	–	1,755	1,755
Amortisation (Note 17)	–	(400)	(1,139)	(1,539)
Closing net book amount	37	1,200	4,381	5,618
At 31 December 2006				
Cost	37	3,000	7,398	10,435
Accumulated amortisation	–	(1,800)	(3,017)	(4,817)
Net book amount	37	1,200	4,381	5,618
Year ended 31 December 2007				
Opening net book amount	**37**	**1,200**	**4,381**	**5,618**
Amortisation (Note 17)	**–**	**(400)**	**(1,108)**	**(1,508)**
Impairment (Note 17)	**–**	**–**	**(635)**	**(635)**
Closing net book amount	**37**	**800**	**2,638**	**3,475**
At 31 December 2007				
Cost	**37**	**3,000**	**7,398**	**10,435**
Accumulated amortisation and impairment	**–**	**(2,200)**	**(4,760)**	**(6,960)**
Net book amount	**37**	**800**	**2,638**	**3,475**

Amortisation expense and impairment charge of approximately RMB1,508,000 (2006: RMB1,539,000) and RMB635,000 (2006: Nil) have been recorded in administrative expenses.

9 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2007	2006
	RMB'000	RMB'000
Investments, at cost:		
Unlisted shares/capital	**1,803**	1,803

The following is a list of the principal subsidiaries at 31st December 2007:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share and debt securities	Interests
American Excellent Pesticide Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	100 ordinary share of US$1.00 each	100% [1]
Century Sunshine (Australia) Limited	Australia, limited liability company	Inactive in Australia	1 ordinary share of AUD1.00 each	100%
Century Sunshine Ecological Technology Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	1,000 ordinary share of HK$1.00 each	100%
Century Sunshine (Jiangxi) Ecological Technology Limited	Mainland China, limited liability company	Manufacturing and sale of organic fertilizers in Mainland China	Registered and paid up capital HK$31,800,000	100%
Century Sunshine (Nan Ping) Biology Engineering Co., Limited	Mainland China, limited liability company	Manufacturing and sale of organic fertilizers in Mainland China	Registered and paid up capital HK$7,000,000	100%
Century Sunshine (Shanghai) Management Co., Limited	Mainland China, limited liability company	Investment holding in Mainland China	Registered and paid up capital USD9,800,000	100%

9 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share and debt securities	Interests
Century Sunshine (Zhangzhou) Ecological Technology Limited	Mainland China, limited liability company	Manufacturing and sale of organic fertilizers in Mainland China	Registered and paid up capital HK$30,000,000	100%
Excellent Pesticide (Nanchang) Limited	Mainland China, limited liability company	Manufacturing and sale of biological pesticides in Mainland China	Registered and paid up capital US$1,180,000	100%
Green Land Bio-Products Co., Limited	Mainland China, limited liability company	Manufacturing and sale of organic fertilizers in Mainland China	Registered and paid up capital RMB10,500,000	100%
Jiangsu Azureblue Technology Development Co., Limited	Mainland China, limited liability company	Manufacturing and sale of compound fertilizers in Mainland China	Registered and paid up capital RMB100,000,000	51%
New Bright Group Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	20 ordinary share of US$1.00 each	100%[1]
世紀陽光(福建)農業科技發展有限公司	Mainland China, limited liability company	Research and development and sale of organic fertilizers and biological pesticides in Mainland China	Registered and paid up capital RMB30,107,000	100%
福州美地國際貿易有限公司	Mainland China, limited liability company	Trading of compound fertilizers in Mainland China	Registered and paid up capital RMB3,050,000	60%

1 Shares held directly by the Company

9 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

(b) Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, non–interest bearing and repayable on demand.

10 INVENTORIES

	2007 RMB'000	2006 RMB'000
Raw materials	**23,479**	3,671
Work in progress	**1,136**	707
Finished goods	**12,137**	1,054
	36,752	5,432

The cost of inventories recognised as expense and included in cost of sales amounted to RMB176,861,000 (2006: RMB136,416,000) (Note 17).

No provision for impairment of inventories was recognised during the year ended 31 December 2007 (2006: Nil).

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Trade receivables	**55,486**	27,457	**–**	–
Prepayments and deposits	**21,015**	20	**294**	19
Other receivables	**790**	270	**–**	–
	77,291	27,747	**294**	19

11 TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of trade and other receivables approximate their fair values and are denominated in Chinese Renminbi.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The maximum exposure to credit risk as at 31 December 2007 is the fair value of trade and other receivables mentioned above. The Group does not hold any collateral as security.

At 31 December 2007, the ageing analysis of the trade receivables was as follows:

	2007	2006
	RMB'000	RMB'000
0 to 30 days	**44,015**	23,154
31 to 60 days	**9,424**	4,010
61 to 90 days	**1,869**	293
Over 90 days	**178**	–
	55,486	27,457

No provision for impairment of trade receivables was recognised during the year ended 31 December 2007 (2006: Nil).

Trade receivables that are not past due or less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of RMB178,000 (2006: Nil) were past due up to 3 months but are considered not impaired. These relate to a number of independent customers for whom there is no recent history of default.

No trade receivables were past due up to 3 months but are considered impaired.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**283,774**	193,827	**194,712**	33,973
Short–term bank deposits	**509,140**	191,000	**–**	–
	792,914	384,827	**194,712**	33,973

The effective interest rate on short–term bank deposits was 1.9% (2006: 1.7%); these deposits have an average maturity of 37 days (2006: 61 days).

The maximum exposure to credit risk as at 31 December 2007 is the fair value of cash and cash equivalents mentioned above.

Cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Chinese Renminbi	**581,415**	350,529	**12**	–
Hong Kong dollars	**189,432**	34,296	**174,259**	33,973
Others	**22,067**	2	**20,441**	–
	792,914	384,827	**194,712**	33,973

The remittance of cash and cash equivalents denominated in Chinese Renminbi out of Mainland China is subject to the foreign exchange control restrictions imposed by the government of Mainland China.

13 SHARE CAPITAL AND SHARE PREMIUM

	Note	Number of shares (thousands)	Share capital RMB'000	Share premium RMB'000
Ordinary shares of HK$0.02 each				
At 1 January 2006		1,992,025	42,074	137,639
Employee share option scheme				
– proceeds from shares issued	(c)	55,000	1,120	15,347
Transfer of reserves upon exercise of share options		–	–	3,717
At 31 December 2006		2,047,025	43,194	156,703
Issue of new shares	(b)	250,000	4,900	441,840
Employee share option scheme				
– proceeds from shares issued	(c)	31,500	614	8,166
Transfer of reserves upon exercise of share options		–	–	2,581
Repurchase of shares	(d)	(109,105)	(2,282)	(52,270)
At 31 December 2007		**2,219,420**	**46,426**	**557,020**

Notes:

(a) Pursuant to a shareholders' resolution passed on 4 December 2006, each of the Company's ordinary shares of HK$0.10 each was subdivided into 5 ordinary shares of HK$0.02 each (the "Share Subdivision"). Pursuant to the Share Subdivision, the Company had an authorised share capital of 5,000 million shares of HK$0.02 each at 31 December 2007 (2006: 5,000 million shares of HK$0.02 each).

(b) On 23 February 2007, 250,000,000 ordinary shares of HK$0.02 each were issued at HK$1.88 each by way of a placing, resulting in net cash proceeds of approximately RMB446,740,000 (equivalent to HK$455,858,000). The excess over the par value of the shares were credited to the share premium account.

(c) During the year ended 31 December 2007, 30,000,000 (2006: 55,000,000) ordinary shares of HK$0.02 each (2006: HK$0.02) were issued at HK$0.294 each (2006: HK$0.294) and 1,500,000 (2006: Nil) ordinary shares of HK$0.02 each were issued at HK$0.126 each pursuant to the employee share option scheme.

(d) During the year ended 31 December 2007, the Company repurchased an aggregate of 109,105,000 shares on the Hong Kong Stock Exchange at the average price of HK$0.502 per Share from 12 November 2007 to 20 November 2007 under the general mandate granted by the shareholders of the Company in the annual general meeting of the Company held on 30 April 2007, for purpose of enhancing its earnings per share.

All the repurchased shares were cancelled during the year. Accordingly, the issued share capital of the Company was reduced by the par value of the repurchased shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve (Note 14(a)).

13 SHARE CAPITAL AND SHARE PREMIUM (Continued)

Share options

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$1.00 for each lot of share options granted. The subscription price is not less than the highest of (i) the closing price of the shares on GEM as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the shares on GEM as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and (iii) the nominal value of a share of HK$0.02 (as adjusted for the effect of the Share Subdivision). The Group has no legal or constructive obligation to repurchase or settle the options in cash. The share options are exercisable only if the directors and employees remain in the service of the Group from the grant date of the share options up to the designated exercise date.

Movements in the number of share options outstanding and their related weighted average exercise prices, as adjusted for the effect of the Share Subdivision, are as follows:

	2007		2006	
	Average exercise price in HK$ per share	Options (thousands)	Average exercise price in HK$ per share	Options (thousands)
At 1 January	0.206	89,775	0.240	144,775
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	0.286	(31,500)	0.294	(55,000)
Lapsed	–	–	–	–
At 31 December	0.162	58,275	0.206	89,775

13 SHARE CAPITAL AND SHARE PREMIUM (Continued)

All the outstanding options as at 31 December 2007 were not yet exercisable at that date. Options exercised in 2007 resulted in 30,000,000 shares (2006: 55,000,000 shares) being issued at HK$0.294 each (2006: HK$0.294) and 1,500,000 shares being issued at HK$0.126 each, as adjusted for the effect of the Share Subdivision.

Share options outstanding, as adjusted for the effect of the Share Subdivision, at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$ per share	Share options 2007	Share options 2006
31 December 2006	0.294	–	–
31 December 2007	0.126	–	1,500,000
31 December 2007	0.294	–	30,000,000
31 January 2009	0.126	45,775,000	45,775,000
31 March 2009	0.294	12,500,000	12,500,000
		58,275,000	89,775,000

During the year, no share options were granted to directors and employees. The fair value of options granted during the year ended 31 December 2005 determined using the Black–Scholes valuation model was RMB7,889,000. The significant inputs into the model were share price of HK$0.294, at the grant date and adjusted for the effect of the Share Subdivision, exercise price shown above, standard deviation of expected share price returns of 40%, annual risk–free interest rate of 3.8%, expected life of options of approximately 1 to 4 years and dividend pay out ratio of zero. The volatility measured at the standards deviation of expected share price returns is based on statistical analysis of daily share prices from the date of listing of the Company's shares (17 February 2004) or from date of the previous grant through to the current grant date.

14 OTHER RESERVES

(a) The Group

	Capital redemption reserve (i)	Capital reserve (ii)	Statutory reserves (iii)	Employee compensation reserves	Translation reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	–	11,965	15,237	2,733	37	29,972
Appropriation of retained earnings	–	–	11,655	–	–	11,655
Employee share option scheme – value of employee services (Note 18)	–	–	–	4,276	–	4,276
Transfer of reserves upon exercise of share options	–	–	–	(3,717)	–	(3,717)
Translation differences	–	–	–	–	(11)	(11)
At 31 December 2006	–	11,965	26,892	3,292	26	42,175
At 1 January 2007, as per above	–	11,965	26,892	3,292	26	42,175
Appropriation of retained earnings	–	–	5,880	–	–	5,880
Employee share option scheme – value of employee services (Note 18)	–	–	–	1,792	–	1,792
Transfer of reserves upon exercise of share options	–	–	–	(2,581)	–	(2,581)
Repurchase of shares	2,282	–	–	–	1,996	4,278
Translation differences	–	–	–	–	28	28
At 31 December 2007	2,282	11,965	32,772	2,503	2,050	51,572

Notes:

(i) Capital redemption reserve represent the nominal value of the shares of the Company which was transferred from the Company's retained earnings upon repurchase and cancellation of shares by the Company.

(ii) Capital reserve represents the difference between the nominal value of the shares of the subsidiaries that have been acquired and capitalised pursuant to a group reorganisation over the nominal value of the Company's shares issued in exchange therefore.

(iii) In accordance with the articles of association of the subsidiaries established in Mainland China and the relevant Mainland China rules and regulations, these subsidiaries are required to set aside 10% of their net profit after income tax as recorded in the Mainland China statutory financial statements as statutory reserves, except where the reserve fund balance has reached 50% of the subsidiaries' registered capital. The reserve fund can only be used to make good the subsidiaries' previous years' losses, to expand the subsidiaries' production operations or to increase the capital of the subsidiaries.

14 OTHER RESERVES (Continued)

(b) The Company

	Capital redemption reserves RMB'000	Employee compensation reserve RMB'000	Translation reserves RMB'000	Total RMB'000
At 1 January 2006	–	2,733	–	2,733
Employee share option scheme – value of employee services	–	4,276	–	4,276
Transfer of reserves upon exercise of share options	–	(3,717)	–	(3,717)
At 31 December 2006	–	3,292	–	3,292
At 1 January 2007, as per above	**–**	**3,292**	**–**	**3,292**
Employee share option scheme – value of employee services	**–**	**1,792**	**–**	**1,792**
Transfer of reserves upon exercise of share options	**–**	**(2,581)**	**–**	**(2,581)**
Repurchase of shares	**2,282**	**–**	**–**	**2,282**
Translation differences	**–**	**–**	**1,996**	**1,996**
At 31 December 2007	**2,282**	**2,503**	**1,996**	**6,781**

15 BORROWINGS

	2007 RMB'000	2006 RMB'000
Non–current		
Bank borrowings	**110,678**	110,482

The Group entered into a loan arrangement with International Finance Corporation (IFC) in November 2006. Pursuant to the loan arrangement, IFC had granted a loan of RMB120,000,000 to certain subsidiaries of the Company. The loan bears interest at 5.38% per annum and is due for repayment in one instalment in November 2013. The loan granted by IFC was secured by (i) corporate guarantee given by the Company; and (ii) pledges of 244,578,000 shares in the Company, as adjusted for the effect of the Share Subdivision, owned by Alpha Sino International Limited ("Alpha Sino"), the controlling shareholder. Pursuant to the loan agreement, the Group is required to place bank deposits of RMB32,000,000, RMB64,000,000 and RMB88,000,000 to IFC as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively. As at 31 December 2007, such deposits were not yet placed to IFC. In addition, Mr. Chi Wen Fu, a director and controlling shareholder of the Company (through his 90% interest in Alpha Sino), has given an undertaking to IFC to maintain a minimum level of shareholding in the Company. The Company and the Group are required to comply with certain covenants, including, among other things, certain financial covenants, under the loan arrangement.

15 BORROWINGS (Continued)

The borrowings are denominated in Chinese Renminbi, and have a maturity of over 5 years. The effective interest rate at 31 December 2007 was 6.84% (2006:6.84%).

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings	**110,678**	110,482	**106,338**	110,482

As at 31 December 2007, the Group has no undrawn borrowing facilities (2006: Nil).

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**10,179**	3,757	**–**	–
Accruals and other payables	**40,975**	6,585	**1,725**	1,283
	51,154	10,342	**1,725**	1,283

The carrying amounts of trade and other payables approximate their fair value.

At 31 December 2007, the ageing analysis of trade payables was as follows:

	2007	2006
	RMB'000	RMB'000
0 to 30 days	**8,185**	3,700
31 to 60 days	**1,748**	12
61 to 90 days	**139**	10
Over 90 days	**107**	35
	10,179	3,757

17 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2007 RMB'000	2006 RMB'000
Cost of inventories (Note 10)	**176,861**	136,416
Employee benefit expense (Note 18)	**14,428**	15,478
Depreciation and amortisation expense (Notes 6, 7 and 8)	**19,933**	15,442
Impairment of property, plant and equipment and intangible assets (Notes 6, 8)	**5,763**	–
Forfeiture of prepayment of machinery (Note 6)	**4,775**	–
Advertising costs	**4,880**	4,750
Research and development expense	**2,550**	3,837
Transportation expenses	**1,415**	1,553
Operating lease payments (Note 6)	**1,586**	787
Exchange losses – net	**11,960**	2,296
Auditor's remuneration	**1,391**	895
Legal and professional fee	**1,474**	1,404
Other expenses	**7,855**	3,818
	254,871	186,676

18 EMPLOYEE BENEFIT EXPENSE

	2007 RMB'000	2006 RMB'000
Wages and salaries	**12,327**	10,991
Share options granted to directors and employees (Note 14(a))	**1,792**	4,276
Pension costs – defined contribution plans (Note a)	**129**	211
	14,248	15,478

Notes:

(a) As stipulated by rules and regulations in Mainland China, the Group contributes to a state–sponsored retirement plan for its employees in Mainland China, which is a defined contribution plan. The Group contributes approximately 14% of the employees' salary as specified by the local government, and the Group has no further obligations for the actual payment of pensions or post–retirement benefits beyond the annual contributions. The state–sponsored retirement plan is responsible for the entire pension obligations to retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month.

18 EMPLOYEE BENEFIT EXPENSE (Continued)

Notes: (Continued)

During the year ended 31 December 2007, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately RMB129,000 (2006: RMB211,000). As at 31 December 2007, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions (2006: Nil).

(b) Directors' emoluments

The remuneration of each director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Chi Wen Fu	66,600	787,000	56,000	–	–	3,000	–	912,600
Shum Sai Chit	–	407,000	78,000	–	–	12,000	–	497,000
Zhou Xin Dun	–	63,600	3,000	–	70,000	–	–	136,600
Wu Wen Jin, Benjamin	–	–	–	–	81,000	–	–	81,000
Zou Li	–	36,000	3,000	–	–	–	–	39,000
Chi Bi Fen	–	36,000	3,000	–	75,000	–	–	114,000
Wong May Yuk	–	–	–	–	–	–	–	–
Cheung Sound Poon	19,300	–	–	–	51,000	–	–	70,300
Shen Yi Min	29,000	–	–	–	–	–	–	29,000
Kwong Ping Man	29,000	–	–	–	51,000	–	–	80,000
To Yan Ming, Edmond	2,400	–	–	–	–	–	–	2,400
Total	146,300	1,329,600	143,000	–	328,000	15,000	–	1,961,900

The remuneration of each director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Chi Wen Fu	66,800	60,000	–	–	–	–	–	126,800
Shum Sai Chit	–	321,680	–	–	–	12,320	–	334,000
Zhou Xin Dun	–	63,600	–	–	73,784	–	–	137,384
Wu Wen Jin, Benjamin	–	–	–	–	194,205	–	–	194,205
Zou Li	–	36,000	–	–	–	–	–	36,000
Chi Bi Fen	–	36,000	–	–	79,054	–	–	115,054
Wong May Yuk	–	–	–	–	–	–	–	–
Cheung Sound Poon	20,500	–	–	–	86,688	–	–	107,188
Shen Yi Min	20,500	–	–	–	–	–	–	20,500
Kwong Ping Man	20,500	–	–	–	86,688	–	–	107,188
Total	128,300	517,280	–	–	520,419	12,320	–	1,178,319

18 EMPLOYEE BENEFIT EXPENSE (Continued)

Notes: (Continued)

(b) Directors' emoluments (Continued)

Other benefits represent benefits from share option scheme.

During the year, no options were granted to the directors of the Company under the Share Option Scheme approved on 11 October 2004 (2006: Nil).

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the year (2006: Nil).

The emoluments of each director of the Company were below HK$1,000,000 (equivalent to RMB 940,000) for the years ended 31 December 2006 and 2007.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2006: three) directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2006: two) individuals during the year are as follows:

	2007	2006
	RMB'000	RMB'000
Basic salaries, share options, other allowances and benefits in kind	**1,134**	1,027
Pension costs – defined contribution plan	**22**	42
	1,156	1,069

The emoluments of each of the highest paid individuals were below HK$1,000,000 (equivalent to RMB940,000) for the years ended 31 December 2006 and 2007.

(d) During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

19 FINANCE INCOME AND COSTS

	2007 RMB'000	2006 RMB'000
Finance income		
– Interest income from bank deposits	**17,828**	3,715
– Fair value gain on bank borrowings	**–**	8,543
	17,828	12,258

	2007 RMB'000	2006 RMB'000
Finance costs		
Interest expense:		
– bank borrowings wholly repayable within five years	**235**	243
– bank borrowings wholly repayable after five years	**6,590**	1,257
Less: Government grant	**(477)**	(120)
	6,348	1,380
Less: Amount capitalised in construction-in-progress (Note 6)	**–**	(628)
	6,348	752
Others	**–**	15
	6,348	767

The capitalisation rate for the year ended 31 December 2006 was approximately 6.84% per annum, representing the weighted average rate of the costs of borrowings used to finance the Group's construction-in-progress.

20 INCOME TAX EXPENSE

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

	2007 RMB'000	2006 RMB'000
Current income tax		
– Hong Kong profits tax	**–**	–
– Mainland China enterprise income tax	**15,916**	9,802
	15,916	9,802

20 INCOME TAX EXPENSE (Continued)

(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 year (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 25% 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 福州美地國際貿易有限公司 are wholly foreign owned enterprises engaged in the production and sale of organic fertilizers and compound 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 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 "Tax Concession"). The first profitable years after offsetting prior year tax losses of Greenland, 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 (Shanghai) Management Co., Ltd., Century Sunshine (Zhangzhou) Ecological Technology Limited and Excellent Pesticide (Nanchang) Limited were loss making during the year ended 31 December 2007.

On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the enterprise income tax rate applicable to the Group's subsidiaries located in mainland China starting from 1 January 2008 will be 25%, replacing the currently applicable tax rate of 33%. Companies eligible for the Tax Concession but have not yet commence the relevant tax holiday will be deemed to commence the tax holiday starting in 2008.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies law of Cayman Islands and, accordingly, is exempted from Cayman Island 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 British Virgin Islands income tax. Century Sunshine (Australia) Limited is incorporated in Australia and was loss making during the year ended 31 December 2007.

20 INCOME TAX EXPENSE (Continued)

(c) Overseas income tax (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using a tax rate of 33%, the standard income tax rate of Mainland China enterprises, as follows:

	2007 RMB'000	2006 RMB'000
Profit before income tax	**78,711**	137,510
Calculated at a tax rate of 33% (2006: 33%)	**25,975**	45,378
Effect of different tax rates	**(3,512)**	(7,191)
Effect of tax exemption	**(16,127)**	(31,003)
Income not subject to tax	**(1,002)**	(3,102)
Expenses not deductible for tax purposes	**4,940**	2,648
Utilisation of previously unrecognised tax losses	**(77)**	–
Tax losses for which no deferred income tax asset was recognised	**5,719**	3,072
Income tax expense	**15,916**	9,802

As at 31 December 2007, the Group has unrecognised tax losses of approximately RMB52.978,000 (2006: RMB29,907,000), which can be carried forward to offset future taxable profit. Tax losses of RMB15,881,000 (2006: RMB5,460,000) will expire in 2009 while tax losses of RMB37,097,000 (2006: RMB24,447,000) can be carried forward indefinitely. The deferred tax benefit of such tax losses has not been recognised as it is not considered probable that future taxable profit will be available to utilise the unused tax losses.

21 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB118,630,000 (2006: RMB32,686,000).

22 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 year.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**63,953**	127,708
Weighted average number of ordinary shares in issue (thousands)	**2,265,387**	2,010,583
Basic earnings per share (RMB per share)	**2.82 cents**	6.35 cents

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. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Profit attributable to equity holders of the Company (RMB'000)	**63,953**	127,708
Weighted average number of ordinary shares in issue (thousands)	**2,265,387**	2,010,583
Adjustment for share options (thousands)	**65,454**	100,889
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,330,841**	2,111,472
Diluted earnings per share (RMB per share)	**2.74 cents**	6.05 cents

23 DIVIDENDS

Dividends paid during the year ended 31 December 2007 were RMB31,310,000 (HK$0.014 per ordinary share) (2006: RMB22,818,000, HK$0.011 per ordinary share). The directors recommend the payment of a final dividend of HK$0.004 per ordinary share, totalling RMB8,345,000. Such proposed dividend is to be approved by the shareholders at the Annual General Meeting on 28 April 2008. These financial statements do not reflect this dividend payable.

	2007 RMB'000	2006 RMB'000
Interim dividend paid of HK$0.004 (2006: HK$0.004) per ordinary share	9,029	8,316
Proposed final dividend of HK$0.004 (2006: HK$0.01) per ordinary share	8,345	22,970
	17,374	31,286

24 CASH GENERATED FROM OPERATIONS

	2007 RMB'000	2006 RMB'000
Profit for the year	62,795	127,708
Adjustment for:		
– Tax (Note 20)	15,916	9,802
– Depreciation (Note 6)	18,241	13,813
– Amortisation (Notes 7 and 8)	1,692	1,629
– Impairment (Note 6 and 8)	5,763	–
– Forfeiture of prepayment of machinery (Note 6)	4,775	–
– Employee share option costs	1,792	4,276
– Exchange losses – net	11,960	2,296
– Interest income (Note 19)	(17,828)	(3,715)
– Interest expense (Note 19)	6,348	752
– Fair value gain on bank borrowings (Note 19)	–	(8,543)
	111,454	148,018
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(31,320)	2,138
– Trade and other receivables	(49,544)	(4,269)
– Trade and other payables	25,479	5,019
Cash generated from operations	56,069	150,906

24 CASH GENERATED FROM OPERATIONS (Continued)

Major non-cash transactions

As at 31 December 2007, the Group has construction payable of RMB10,342,000 (2006: Nil) and interest payable of RMB1,076,000 (2006: RMB1,032,000), which were included in accruals and other payables.

25 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted at the balance sheet date but not yet incurred is as follows:

	2007 RMB'000	2006 RMB'000
Property, plant and equipment		
Contracted but not provided for	**6,108**	35,343

(b) Operating lease commitments

The Group leases various office premises and warehouses under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007 RMB'000	2006 RMB'000
Not later than 1 year	**1,046**	1,042
Later than 1 year and not later than 5 years	**1,189**	1,223
Later than 5 years	**1,327**	1,517
	3,562	3,782

26 RELATED-PARTY TRANSACTIONS

The Group is controlled by Alpha Sino International Limited (incorporated in the British Virgin Islands), which owned 41.4% (2006: 47.5%) of the Company's shares as at 31 December 2007. The remaining shares are widely held.

The following transactions were carried out with related parties:

(a) Key management compensation

	2007 RMB'000	2006 RMB'000
Salaries and other short-term employee benefits	**1,625**	657
Share-based payments	**219**	232
	1,844	889

Key management compensation include an amount of RMB260,000 (2006: RMB255,000) paid to Mr. Chi Wen Qiang, a brother of Mr. Chi Wen Fu (a director and controlling shareholder of the Company), and Mr. Chi Bi Fen and Mr. Chi Bi Bing, sister of Mr. Chi Wen Fu.

(b) Mr. Chi Wen Fu has given an undertaking to a principal bank of the Group to maintain a minimum level of shareholding in the Company (Note 15).