世纪阳光

CENTURY SUNSHINE GROUP HOLDINGS LIMITED

世紀陽光集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 509)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board" or the "Director(s)") of Century Sunshine Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2008 together with comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	**2008** **_RMB'000_**	2007 *RMB'000*
Revenue	*3*	**386,782**	322,102
Cost of sales		**(327,525)**	(201,298)
Gross profit		**59,257**	120,804
Other income and gains	*4*	**30,196**	17,828
Selling and marketing costs		**(7,770)**	(10,760)
Administrative expenses		**(45,556)**	(42,813)
Discount on acquisition of subsidiaries		**4,527**	–
Finance costs		**(8,260)**	(6,348)
Profit before income tax	*5*	**32,394**	78,711
Income tax expense	*6*	**(10,047)**	(15,916)
Profit for the year		**22,347**	62,795
Attributable to:			
Equity holders of the Company		**27,273**	63,953
Minority interests		**(4,926)**	(1,158)
		22,347	62,795
Dividends	*7*	**5,948**	17,374
Earnings per share			
– basic	*8*	**RMB1.23 cents**	RMB2.82 cents
– diluted	*8*	**RMB1.22 cents**	RMB2.74 cents

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	NOTES	2008 RMB'000	2007 RMB'000
Non-current assets			
Land use rights		**40,671**	20,152
Property, plant and equipment		**154,212**	162,235
Investment properties		**77,407**	–
Intangible assets		**1,780**	3,475
Deposit for acquisition of subsidiaries		**48,400**	–
Deposit for acquisition of plant and machinery		**19,538**	–
		342,008	185,862
Current assets			
Inventories		**65,384**	36,752
Land use rights		**858**	435
Trade and other receivables	*9*	**63,357**	77,291
Investments held for trading		**63,601**	–
Cash and cash equivalents		**591,937**	792,914
		785,137	907,392
Current liabilities			
Trade and other payables	*10*	**53,742**	51,154
Income tax payable		**6,740**	7,225
		60,482	58,379
Net current assets		**724,655**	849,013
Total assets less current liabilities		**1,066,663**	1,034,875
Non-current liabilities			
Borrowings		**112,056**	110,678
Deferred tax liability		**3,318**	–
		115,374	110,678
Net assets		**951,289**	924,197
Capital and reserves			
Share capital		**46,426**	46,426
Share premium		**557,020**	557,020
Other reserves		**49,036**	51,572
Retained earnings			
– Proposed final dividend		**5,948**	8,345
– Others		**233,452**	211,772
Equity attributable to equity holders of the Company		**891,882**	875,135
Minority interests		**59,407**	49,062
Total equity		**951,289**	924,197

NOTES:

1. GENERAL INFORMATION

The Group is principally engaged in the production and sales of organic fertilizers, compound fertilizers, biological pesticides, raw materials and magnesium-related products.

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. On 17 February 2004, the Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were withdrawn from the GEM Board on 31 July 2008. Since 1 August 2008, the Company's shares have been listing on the Main Board of the Stock Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

In the current year, the Group has adopted a number of new and revised HKFRSs issued by the HKICPA that are effective to the Group for accounting periods beginning on or after 1st January 2008. The adoption of those HKFRSs has no material impact on the Group's results and financial position for the current or prior years, and does not result in any significant changes in the accounting policies of the Group.

3. REVENUE AND SEGMENT INFORMATION

(a) Turnover

	2008	2007
	RMB'000	*RMB'000*
Sales of organic fertilizers	**176,594**	243,028
Sales of compound fertilizers	**143,942**	67,805
Sales of biological pesticides	**4,489**	11,269
Sales of raw materials	**61,757**	–
	386,782	322,102

There is no turnover from the manufacturing and sales of magnesium-related products and the results of which is not significant during the years ended 31 December 2007 and 2008.

(b) Segment information

Primary reporting format – business segments

As at 31 December 2008, the Group has the following main business segments:

(1) Manufacturing and sales of organic fertilizers;

(2) Manufacturing and sales of compound fertilizers;

(3) Manufacturing and sales of biological pesticides;

(4) Manufacturing and sales of raw materials; and

(5) Manufacturing and sales of magnesium-related products.

The segment results for the year ended 31 December 2008 are as follows:

	Organic fertilizers *RMB'000*	Compound fertilizers *RMB'000*	Biological pesticides *RMB'000*	Raw materials *RMB'000*	Magnesium-related products *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Total segment revenue	**194,769**	**145,010**	**4,489**	**61,757**	**–**	**–**	**406,025**
Inter-segment revenue	**(18,175)**	**(1,068)**	**–**	**–**	**–**	**–**	**(19,243)**
Revenue	**176,594**	**143,942**	**4,489**	**61,757**	**–**	**–**	**386,782**
Segment results	**63,689**	**(3,320)**	**(3,106)**	**(14,687)**	**–**	**–**	**42,576**
Finance costs							**(8,260)**
Unallocated income							**30,196**
Unallocated expenses							**(36,645)**
Discount on acquisition of subsidiaries	**–**	**–**	**–**	**–**	**4,527**	**–**	**4,527**
Profit before income tax							**32,394**
Income tax expense							**(10,047)**
Profit for the year							**22,347**

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*	Raw materials *RMB'000*	Magnesium-related products *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)	–	–	–	89,586
Finance costs							(6,348)
Unallocated income							17,828
Unallocated expenses							(22,355)
Profit before income tax							78,711
Income tax expense							(15,916)
Profit for the year							62,795

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

	Year ended 31 December 2008						
	Organic fertilizers ***RMB'000***	**Compound fertilizers** ***RMB'000***	**Biological pesticides** ***RMB'000***	**Raw materials** ***RMB'000***	**Magnesium-related products** ***RMB'000***	**Unallocated** ***RMB'000***	**Group** ***RMB'000***
Depreciation of property, plant and equipment and investment properties	**7,400**	**2,786**	**2,716**	**2,791**	**–**	**5,954**	**21,647**
Amortisation of land use rights and intangible assets	**1,124**	**194**	**400**	**–**	**–**	**40**	**1,758**
Impairment of property, plant and equipment and intangible assets	**150**	**–**	**37**	**–**	**–**	**–**	**187**
Loss on disposal of property, plant and equipment	**54**	**126**	**–**	**–**	**–**	**–**	**180**
Impairment of inventories	**–**	**8,496**	**–**	**–**	**–**	**–**	**8,496**
Gain on disposal of investments held for trading	**–**	**–**	**–**	**–**	**–**	**2,346**	**2,346**
Gain on disposal of available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**17,267**	**17,267**
Change in fair value of investments held for trading	**–**	**–**	**–**	**–**	**–**	**1,247**	**1,247**

	Year ended 31 December 2007						
	Organic fertilizers *RMB'000*	Compound fertilizers *RMB'000*	Biological pesticides *RMB'000*	Raw materials *RMB'000*	Magnesium-related products *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Depreciation of property, plant and equipment	13,399	2,285	2,327	–	–	230	18,241
Amortisation of land use rights and intangible assets	1,201	91	400	–	–	–	1,692
Impairment of property, plant and equipment and intangible assets	5,763	–	–	–	–	–	5,763
Forfeiture of prepayment of machineries	–	–	–	–	–	4,775	4,775

Segment assets consist primarily of investment properties, 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 borrowings directly attributable to a segment. Unallocated liabilities mainly comprise corporate liabilities.

Capital expenditure comprises additions to investment properties, property, plant and equipment, land use rights and intangible assets.

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Organic fertilizers ***RMB'000***	**Compound fertilizers** ***RMB'000***	**Biological pesticides** ***RMB'000***	**Raw materials** ***RMB'000***	**Magnesium-related products** ***RMB'000***	**Unallocated** ***RMB'000***	**Group** ***RMB'000***
Segment assets	**60,648**	**101,714**	**16,759**	**36,458**	**87,558**	**824,008**	**1,127,145**
Segment liabilities	**12,531**	**25,764**	**2,287**	**2,880**	**–**	**132,394**	**175,856**
Capital expenditure	**20,305**	**13,097**	**279**	**21,558**	**41,050**	**17,389**	**113,678**

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*	Raw materials *RMB'000*	Magnesium-related products *RMB'000*	Unallocated *RMB'000*	Group *RMB'000*
Segment assets	163,800	115,414	20,064	–	–	793,976	1,093,254
Segment liabilities	24,190	22,615	2,470	–	–	119,782	169,057
Capital expenditure	28,451	40,994	68	–	–	4,753	74,266

Secondary reporting format – geographical segments

No geographical segment information is presented as all of the Group's business is carried out in the People's Republic of China (the "PRC")/Hong Kong.

4. OTHER INCOME AND GAINS

	2008 *RMB'000*	2007 *RMB'000*
Rental income	**1,273**	–
Interest income from bank deposits	**8,063**	17,828
Gain on disposal of available-for-sale investments	**17,267**	–
Gain on disposal of investments held for trading	**2,346**	–
Change in fair value of investments held for trading	**1,247**	–
	30,196	17,828

5. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	2008 *RMB'000*	2007 *RMB'000*
Wages and salaries	**13,886**	12,327
Share options granted to directors and employees	**731**	1,792
Payment to defined contribution retirement plans	**550**	129
Total staff costs (including directors' remuneration)	**15,167**	14,248
Auditor's remuneration	**924**	1,391
Depreciation and amortisation	**23,405**	19,933
Loss on disposal of property, plant and equipment	**180**	–
Impairment of property, plant and equipment and intangible assets	**187**	5,763
Cost of inventories	**287,148**	176,861
Allowance for inventories	**8,496**	–
Advertising costs	**327**	4,880
Net exchange losses	**17,087**	11,960
Legal and professional fees	**1,947**	1,474
Operating lease rentals in respect of land and buildings	**1,620**	1,586
Forfeiture of prepayment of machineries	**–**	4,775

6. INCOME TAX EXPENSE

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

	2008	2007
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax (the "PRC EIT")	**10,047**	15,916

(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 (2007: Nil).

(b) The PRC Enterprise Income Tax (The "PRC EIT")

The subsidiaries established in the PRC are subject to the PRC EIT at rate of 25%. Green Land Bio-Products Co., Ltd. ("Green Land"), Century Sunshine (Nan Ping) Biology Engineering Co., Ltd. ("Nan Ping") and Century Sunshine (Jiangxi) Ecological Technology Limited ("Jiangxi") are wholly 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 the PRC, are fully exempted from the PRC EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in the PRC 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 2003, 2004 and 2005 respectively. 世紀陽光(福建)農業科技發展有限公司, Jiangsu Azureblue Technology Development Company Limited, Century Sunshine (Zhangzhou) Ecological Technology Limited, Excellent Pesticide (Nanchang) Limited and Baishan City Tianan Magnesium Resources Company Limited were loss making during the years ended 31 December 2007 and 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

(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 two years ended 31 December 2007 and 2008.

7. DIVIDENDS

Dividends paid during the year ended 31 December 2008 were RMB7,990,000 (HK$0.004 per ordinary share) (2007: RMB31,310,000, HK$0.014 per ordinary share). The Directors recommend the payment of a final dividend of HK$0.003 per ordinary share, totaling RMB5,948,000. Such proposed dividend is to be approved by the shareholders at the annual general meeting of the Company to be held on 15 May 2009. These financial statements do not reflect this dividend payable.

	2008	2007
	RMB'000	*RMB'000*
Interim dividend paid of Nil (2007: HK$0.004) per ordinary share	**–**	9,029
Proposed final dividend of HK$0.003 (2007: HK$0.004) per ordinary share	**5,948**	8,345
	5,948	17,374

8. 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.

	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**27,273**	63,953
Weighted average number of ordinary shares in issue (thousands)	**2,219,420**	2,265,387
Basic earnings per share (RMB per share)	**1.23 cents**	2.82 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.

	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**27,273**	63,953
Weighted average number of ordinary shares in issue (thousands)	**2,219,420**	2,265,387
Adjustment for share options (thousands)	**25,108**	65,454
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,244,528**	2,330,841
Diluted earnings per share (RMB per share)	**1.22 cents**	2.74 cents

9. TRADE AND OTHER RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**36,433**	55,486
Prepayments and deposits	**11,701**	21,015
Other receivables	**1,810**	790
Deposits placed with a financial institution	**13,413**	–
	63,357	77,291

At 31 December 2008, the ageing analysis of the trade receivables of the Group was as follows:

	2008	2007
	RMB'000	*RMB'000*
0 to 30 days	**23,065**	44,015
31 to 60 days	**8,586**	9,424
61 to 90 days	**1,017**	1,869
Over 90 days	**3,765**	178
	36,433	55,486

10. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	*RMB'000*
Trade payables	**17,296**	10,179
Accruals and other payables	**36,446**	40,975
	53,742	51,154

At 31 December 2008, the ageing analysis of trade payables of the Group was as follows:

	2008	2007
	RMB'000	*RMB'000*
0 to 30 days	**9,984**	8,185
31 to 60 days	**1,695**	1,748
61 to 90 days	**1,807**	139
Over 90 days	**3,810**	107
	17,296	10,179

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2008 for your review and consideration.

REVIEW

A turbulent year in 2008

The Group experienced rapid market adjustment in 2008. During the second half of the year, particularly in the fourth-quarter, the drastic change in price was out of our expectation. The effect on the price of organic fertilizers market was relatively lenient when compared with the selling price of compound fertilizers, which dropped more than 15% in the fourth-quarter in general. Industry participants have been shifting their sales and purchase strategies from active to passive for the sake of minimizing inventory piled up pressure while increasing cash level. The situation has been ongoing up to the first quarter of 2009. It is expected that improvement can only be seen when the traditional fertilizing season comes, therefore constituting huge funding and operational pressure on fertilizers manufacturers directly.

Whilst the Group was hit by the adjustment on price of fertilizers during the second half of the year, its sales raised by 20% to RMB386,782,000 by reason of the increase in selling of compound fertilizers and raw materials. However, the increase in selling of compound fertilizers and raw materials has further narrowed the gross margin of the Group. Profit attributable to equity holders of the Company amounted to RMB27,273,000, representing a decrease of 57% when compared with that of 2007. Apart from the abovementioned negative impact due to the changes in market, the decline in the profit was also mainly attributable to decrease in production capacity of organic fertilizers, inventories to impair, operating losses incurred in the sales of raw materials and losses in foreign exchange. Taking into account of the financial condition and future operation environment of the Group, the Board recommended a payment of a final dividend of HK0.3 cents per share, representing approximately 21% of the basic earnings per share for the year.

Expansion of compound fertilizers business

Since commencing its production in October 2007, Jiangsu Plant, a joint venture of the Group, has been endeavored in expanding its sales network so as to boosting its sales. The Group believes that Jiangsu Plant has an established sales network and excellent brand awareness in compound fertilizers market in the north of China. In order to further expand our market share thereof and strengthen our control over the operation of Jiangsu Plant, the Group increased its equity interest in Jiangsu Plant from the original 51% to 83.2% in October 2008. Whilst Jiangsu Plant recorded losses in the fourth-quarter of 2008 due to the rapid deterioration of domestic fertilizers market, the Directors expect that such losses are only of temporary nature. When the raw material and fertilizer prices become stable, the situation will improve gradually during the peak fertilizing season.

Expansion into magnesium-related business

2008 also saw the Group making an effort to expand into new business area, thus created a parallel dual businesses model instead of focusing only on a single business. In addition to the existing agricultural-related products business, the Group had also expanded into metallic resources business. In September 2008, the Group acquired an enterprise based in Baishan (a city in Jilin Province, the PRC). The move marked its first step into the magnesium industry. Such magnesium project is currently in the process of establishment and commercial production was scheduled to commence in the fourth-quarter of 2009, with an annual production capacity of 10,000 tonnes of magnesium ingots. The enterprise will supply raw materials to magnesium-based products makers. The Directors believed that there would be tremendous opportunities ahead in the magnesium industry with sustainable growth in market demand. Moreover, the PRC magnesium industry should enjoy additional advantage on the fact that the PRC has large magnesium resources reserve and is one of the world's biggest producers of magnesium-based materials.

Acquisition of ore resources

The Group entered into a memorandum of understanding with an independent third party in December 2008 with the intention to acquire a certain serpentine mine resources in Jiangsu Province, the PRC. The exploitable serpentine resources in the subject serpentine mine was estimated to be not less than 60 million tonnes. Serpentine contains high degrees of silicon and magnesium, both being major auxiliary materials in steel making process as well as being leading materials in fertilizer manufacturing. Furthermore, in view of the rich magnesium contents of serpentine mine, the Group would also explore the feasibility of expanding the target operation into the area of magnesium business. The acquisition was still in progress with comprehensive due diligence and valuation exercises being conducted in the meantime. The transaction is expected to conclude by not later than the end of December 2009 provided that the conditions precedent will be fulfilled pursuant to the terms of the memorandum of understanding.

Yunxiao property

The first phase construction work of the Group's Yunxiao property which is located at Yunling Industrial Development Zone, Zhangzhou, Fujian Province, the PRC had completed in 2007. Subsequently, in the first quarter of 2008, the Group had leased the property in the form of short term leases to local enterprises for workshop and storage purpose, with a view to generate revenue to the Group. The first phase of Yunxiao property has been deemed to be an investment property of the Group. This being the case, upon completion of the construction of the second phase of Yunxiao property in 2009, the Group intends to lease the entire property comprising the first and second phases of Yunxiao property to external parties.

A new milestone

The Group was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 17 February 2004. With the GEM listing status, the Group managed to achieve business growth, established a better understanding with the investing community and reinforced mutual trust between investors and the Group. With investors' ongoing support, the Group has successfully been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 August 2008. The move represented another major milestone in the corporate development of the Group. At the same time, in anticipation of a more diversified business model, a change of Company's name was approved in the end of 2008, by effect of which the Company's name had been changed to "Century Sunshine Group Holdings Limited (世紀陽光集團控股有限公司)". With the strength of its integrated business development, the Group is confident that investors will be bathed in a new beam of "Century Sunshine" and will enjoy greater returns from the Group's operation.

PROSPECTS

Expansion into new territories

It is the objective of the Group that through developing new businesses it may build a more established business foundation and diversify revenue streams. The Group wishes to mitigate risks arising from single business through the expansion of business territories. The Directors understand the market or investors' concern over new businesses expansion and its potential risks. The Group will therefore minimize risks as far as it is allowed by applying a range of measures, include assigning Company's Directors to directly involve in those businesses and report to the Board on a regular basis, recruitment of talents and professionals, enhancement of internal control system, strict supervision on utilization of capital and extensive consultation and communication, to ensure full protection and utilization of capital and strive for the best return.

Acquisition of ore resources

As everyone knows, provision of ore resources is limited. There are increasing needs of ore resources following the PRC's economic boom. In view of the demand and supply relation, the Directors strongly believe that engagement in upstream resources exploitation gives a promising business outlook. If the Group can successfully acquire the serpentine mine (as described above) with a more desirable price under the effect of financial crisis, it will provide a foundation for the Group's future development.

A challenging 2009

Challenges and opportunities will be abundant in the year 2009. The Directors are in a view that the fertilizer market in China will undergo consolidation in 2009, which will inevitably eliminate or cause mergers to take place among fertilizer manufacturers with incompetent management or funding pressure. In respect of the fertilizer prices, as price restrictions have been lifted for most fertilizers, fertilizer prices will move towards market-oriented and fertilizer manufacturers will have more flexibility in formulating their production and marketing strategies. Fertilizer manufacturers had been experiencing losses, however, as raw materials and inventories piled up after the sharp fluctuation in prices for raw materials and fertilizers last year, hence would probably have their production modes changed. The Group will adjust its production and marketing strategies in due course according to the market change.

Looking to the coming year, the Directors are equipped with confidence to confront and resolve the setbacks arising from the financial crisis. Meanwhile, we will grasp this opportunity to effectively accomplish our established development strategies, with the aim to strengthen the foothold of the Group and maximize shareholders' benefit.

Chi Wen Fu
Chairman

Hong Kong, 2 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

TURNOVER

The domestic fertilizers market underwent substantial consolidation due to the outbreak of financial crisis during the fourth-quarter of 2008, under which the confidence of producers, distributors and retailers towards the future has all been shaken. In the fourth-quarter, the sales of the Group, particularly the sales of compound fertilizers, experienced a significant drop while the selling price has also declined. Nevertheless, the total sales of the Group in 2008 amounted to RMB386,782,000, representing an increase of 20% over 2007, which was mainly derived from the sales of compound fertilizers and raw materials.

RMB'000	**2008**	2007	Change
Organic fertilizers	**176,594**	243,028	-27%
Compound fertilizers	**143,942**	67,805	+112%
Biological pesticides	**4,489**	11,269	-60%
Raw materials	**61,757**	–	–
	386,782	322,102	+20%

Organic fertilizers

The impact of financial crisis on organic fertilizers sector was relatively lenient, which was evidenced by no significant adjustment on the selling price and existence of sizeable demand. However, distributors would depend on overall market condition as well as funding requirement to align their sell and purchase strategies. As the Group's production output of organic fertilizers dropped, it directly cast adverse impact on the sales of organic fertilizers of the Group in 2008. In the fourth-quarter of 2008, the Group successfully expanded the production output of, as well as increased the sales in, microbial compound fertilizers, from which the effect arising from decrease in production output of organic fertilizers was partly set off. The sales of the Group's organic fertilizers in 2008, decreased by 27% when compared with the figure of last year, accounted for 46% of the total sales. The Group anticipated that, in a certain period of time, the production output of organic fertilizers will maintain at the same level as 2008 or slightly increase.

Compound fertilizers

It takes more than one year for the Group to penetrate into the compound fertilizers market in the north of China. With the ever-growing sales network and persistent increase in average sales orders from customers, the Group remarkably doubled its sales in compound fertilizers in 2008 and recorded RMB143,942,000, representing 37% of the total sales. Compound fertilizers sector was hit hard during the fourth-quarter of 2008. While the selling price decline significantly that caused the Group's compound fertilizers business recorded operating loss in the fourth-quarter, inventories also showed signs of impairment towards the end of 2008. Despite the aforesaid, the Group believes that there is still huge demand for fertilizers in the domestic market. As fertilizers is the necessity for agricultural production, such interim market consolidation would well behind one day, and with the strong support from the PRC government towards agricultural industry, the Group still believes in a prosperous business outlook for compound fertilizers.

Raw materials

Apart from principally engaged in the production and sale of compound fertilizers, the Group's Jiangsu Plant also produced sulphuric acid, being one of the main raw materials used in the production of compound fertilizers. For the sake of increasing revenue and raising equipment utilzation, the Group sold the remaining sulphuric acid to the market. However, the Group anticipated that the sales of sulphuric acid will have fluctuation which depends on the sales of compound fertilizers. Selling of sulphuric acid have been contributing revenue to the Group, but following the financial crisis, the demand and price of sulphuric acid in the fourth-quarter of 2008 decreased sharply to the extent that out of the market expectation, making the Group's raw materials business recorded an overall operating loss in 2008. The sales of the Group's raw materials in 2008 amounted to RMB61,757,000, representing 16% of the total sales.

Magnesium

The Group tapped into the magnesium industry by acquiring a subsidiary in Jilin Province, the PRC in September 2008. Such magnesium project, which is still in developing stage, is expected to complete and put into production in the fourth-quarter of 2009, thus has not contributed any profit to the Group so far. The Group is eagerly looking forward to its magnesium business, mainly due to (i) the continuous increase in the market demand of magnesium product over the past few years shows a promising prospect of market acceptance; (ii) the PRC, being one of the countries that possess enormous amount of magnesium mineral resources, is having competitive edge over resources availability; and (iii) the PRC government has expressly proposed magnesium products as the focal point of development, therefore enabling magnesium to enjoy preferential treatment in terms of policies.

EXPENSES

In 2008, selling and marketing cost amounted to approximately RMB7,770,000, representing a decrease of 28% from last year, which is mainly attributable to the drop in advertising expenses. Advertising, salary and transportation cost accounted for 2%, 50% and 24% of the selling and marketing cost respectively.

In 2008, administrative expenses amounted to RMB45,556,000, representing an increase of 6% from last year. Administrative expenses comprised of the net exchange loss of RMB17,087,000 due to the appreciation of Renminbi against the Group's assets denominated in foreign currencies, salary and allowance of RMB5,780,000, professional fees of RMB1,947,000 as well as depreciation and amortization of RMB7,341,000.

MARGINS

The consolidated gross profit in 2008 amounted to RMB59,257,000, representing a decrease of 51% from last year and the consolidated gross profit margin dropped from 38% in last year to 15%. Taking into account the other revenue, including the investment gain and the fair value gain, the profit attributable to the equity holders of the Company for the year of 2008 would be RMB27,273,000, representing a decrease of 57% from last year and the net profit margin decreased to 7% from 20% in 2007.

LIQUIDITY, GEARING AND SOURCE OF FINANCE

The Group maintained a sound financial position with net cash of RMB479,881,000. As at 31 December 2008, cash and bank balances of the Group amounted to RMB591,937,000 (2007: RMB792,914,000).

As at 31 December 2008, the Group has long term borrowings of RMB112,056,000 (2007: RMB110,678,000) and the net current assets was approximately RMB724,655,000 (2007: RMB849,013,000). The Group's gearing ratio as measured by borrowings over net asset value was 12% in 2008 (2007: 12%).

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

COMPLIANCE OF CODE PROVISION & DEVIATION

The Company has complied throughout the year of 2008 the Code Provision of the Code on Corporate Governance Practices (the "CCGP") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, with deviation from code provision A.2.1 of the CCGP in respect of the separate roles of chairman and chief executive officer ("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 PRC market 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct of the Company regarding Directors' securities transactions. The Company made specific enquiry of all Directors and all Directors have confirmed in writing that they have complied with the required standard set out in the code of conduct during the year under review.

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

During the year ended 31 December 2008, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee was established to review the Group's financial reporting, internal controls, corporate governance and risk management matters and to make relevant recommendation to the Board. The Audit Committee comprises all independent non-executive Directors, namely Mr. Kwong Ping Man (being the chairman of the Audit Committee), Mr. Chu Wai Wa, Fangus and Mr. Liu Hoi Keung.

During the year, the Audit Committee held three meetings and performed the duties including reviewing the Group's financial statements (including the Group's interim and annual financial statements with recommendation to the Board for approval), compliance of the regulatory and statutory requirements, significant internal control and risk management, significant accounting and audit issues, the Group's connected transactions and overseeing and managing the relationship with external auditors.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

The figures in respect of the Group's consolidated balance sheet at 31 December 2008, consolidated income statement and the related notes thereto for the year then ended 31 December 2008 as set out in the preliminary announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

FINAL DIVIDEND

The Board recommends the payment of a final dividend for 2008 of HK0.3 cents per share (2007: HK0.4 cents). Subject to the approval of the 2008 final dividends by the shareholders at the annual general meeting to be held on 15 May 2009, it is expected that those dividends will be paid on 15 June 2009 to the shareholders registered on 15 May 2009.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the shareholders of the Company will be held at Vinson Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on 15 May 2009 at 3:00 p.m.. Notice of the annual general meeting of the Company will be published and despatched to the shareholders of the Company shortly.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 May 2009 to Friday, 15 May 2009, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2008 final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday 8 May 2009.

PUBLICATION OF ANNUAL RESULTS AND 2008 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.centurysunshine.com.hk). The 2008 Annual Report will be dispatched to the shareholders and will be available in the websites of the Stock Exchange and the Company in due course.

By order of the Board
Chi Wen Fu
Chairman

Hong Kong, 2 April 2009

As at the date of this announcement, the Directors are:–

Executive Directors:	Mr. Chi Wen Fu, Mr. Shum Sai Chit and Mr. Zhou Xing Dun
Non-executive Directors:	Ms. Wong May Yuk and Ms. Chi Bi Fen
Independent non-executive Directors:	Mr. Kwong Ping Man, Mr. Chu Wai Wa, Fangus and Mr. Liu Hoi Keung