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世紀陽光

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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

HIGHLIGHTS

- Turnover for the six months ended 30 June 2010 amounted to RMB180,276,000, representing a decrease of approximately 13% over the corresponding period of 2009.
- Profit attributable to owners of the Company during this six months period dropped by 51% to RMB9,778,000.
- Basic earnings per share for profit attributable to owners of the Company during this six months period amounted to RMB0.43 cents, representing a decrease of approximately 51%.
- Total assets and net current assets of the Group as at 30 June 2010 reached about RMB1,177,408,000 and RMB690,996,000 respectively in which the cash and cash equivalents represented 19% and 32% of the total assets and net current assets of the Group respectively.
- The Board does not recommend a payment of interim dividend for the six months ended 30 June 2010.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
	Notes	(Unaudited)	(Unaudited)
Revenue		180,276	208,046
Cost of sales		(149,845)	(175,040)
Gross profit		30,431	33,006
Other income and gains		6,686	6,048
Selling and marketing costs		(5,017)	(5,004)
Net (loss) gain on investment held for trading		(3,309)	3,794
Net exchange (loss) gain		(1,223)	3,159
Administrative expenses		(14,624)	(15,237)
Gain on disposal of a subsidiary	5	220	—
Finance costs		(3,902)	(3,857)
Profit before income tax		9,262	21,909
Income tax expense	6	(2,991)	(5,053)
Profit for the period	7	6,271	16,856
Attributable to:			
Owners of the Company		9,778	19,885
Non-controlling interests		(3,507)	(3,029)
		6,271	16,856
Earnings per share	8		
– basic		RMB0.43 cents	RMB0.88 cents
– diluted		RMB0.43 cents	RMB0.88 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	6,271	16,856
Other comprehensive income (expenses):		
Exchange differences arising on translation of foreign operations (net of tax)	10	(76)
Total comprehensive income for the period	6,281	16,780
Total comprehensive income attributable to:		
Owners of the Company	9,788	19,809
Non-controlling interests	(3,507)	(3,029)
	6,281	16,780

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Non-current assets			
Land use rights		46,224	46,763
Property, plant and equipment	10	224,917	223,043
Investment properties		64,378	66,314
Intangible assets		490	787
Exploration and evaluation assets		29,369	29,369
Deposit for acquisition of subsidiaries		47,850	48,400
Deposit for acquisition of plant and machinery		628	628
		413,856	415,304
Current assets			
Inventories		41,511	35,235
Land use rights		1,005	1,005
Trade and other receivables	11	73,404	86,241
Investments held for trading		13,462	14,908
Deposits with banks		415,500	413,000
Cash and cash equivalents		218,670	234,155
		763,552	784,544
Current liabilities			
Trade and other payables	12	68,401	85,354
Income tax payable		4,155	6,486
		72,556	91,840
Net current assets		690,996	692,704
Total assets less current liabilities		1,104,852	1,108,008
Non-current liabilities			
Borrowings		114,189	113,517
Deferred tax liability		3,284	3,251
		117,473	116,768
Net assets		987,379	991,240
Capital and reserves			
Share capital	13	47,018	47,018
Reserves		885,044	884,178
Equity attributable to owners of the Company		932,062	931,196
Non-controlling interests		55,317	60,044
Total equity		987,379	991,240

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company									Non-controlling interests		Total
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Statutory reserves	Employee compensation reserves	Translation reserve	Other reserve	Retained earnings	Total		Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2009 (Audited)	46,426	557,020	2,282	11,965	32,772	3,234	2,168	(3,385)	239,400	891,882	59,407	951,289
Profit for the period	-	-	-	-	-	-	-	-	19,885	19,885	(3,029)	16,856
Other comprehensive expenses for the period	-	-	-	-	-	-	(76)	-	-	(76)	-	(76)
Total comprehensive (expenses) income for the period	-	-	-	-	-	-	(76)	-	19,885	19,809	(3,029)	16,780
Share option scheme												
- value of employee services	-	-	-	-	-	110	-	-	-	110	-	110
- proceed from share issued	592	4,628	-	-	-	(1,489)	-	-	-	3,731	-	3,731
- value of share options lapsed	-	-	-	-	-	(1,855)	-	-	1,855	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(5,948)	(5,948)	-	(5,948)
As at 30 June 2009 (Unaudited)	47,018	561,648	2,282	11,965	32,772	-	2,092	(3,385)	255,192	909,584	56,378	965,962
As at 1 January 2010 (Audited)	47,018	561,648	2,282	11,965	32,772	-	2,019	(171)	273,663	931,196	60,044	991,240
Profit for the period	-	-	-	-	-	-	-	-	9,778	9,778	(3,507)	6,271
Other comprehensive income for the period	-	-	-	-	-	-	10	-	-	10	-	10
Total comprehensive income (expenses) for the period	-	-	-	-	-	-	10	-	9,778	9,788	(3,507)	6,281
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,220)	(1,220)
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(8,922)	(8,922)	-	(8,922)
As at 30 June 2010 (Unaudited)	47,018	561,648	2,282	11,965	32,722	-	2,029	(171)	274,519	932,062	55,317	987,379

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	16,542	58,833
Net cash (used in) generated		
from investing activities	(18,651)	6,639
Net cash used in financing activities	(10,924)	(5,312)
Net (decrease) increase in cash and cash equivalents	(13,033)	60,160
Cash and cash equivalents as at 1 January	234,155	591,937
Effect of foreign exchange rate changes	(2,452)	3,154
Cash and cash equivalents as at 30 June	218,670	655,251

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. General Information

Century Sunshine Group Holdings Limited was incorporated in the Cayman Islands as an exempted company with limited liabilities under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company and its subsidiaries are principally engaged in the production and sales of agriculture-related products, raw materials and magnesium-related products.

The Group’s unaudited condensed consolidated financial statements are prepared in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2010 was approved for issue by the board of directors on 27 August 2010.

2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards 34, Interim Financial Reporting.

3. Significant Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment are as follows:

- Agriculture-related products
- Raw materials
- Magnesium-related products

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating segments:

Six months ended 30 June 2010

	Agriculture- related products RMB'000 (Unaudited)	Raw materials RMB'000 (Unaudited)	Magnesium- related products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	159,705	20,571	–	180,276
Segment results	27,524	(2,110)	–	25,414
Gain on disposal of a subsidiary				220
Other income and gains				6,686
Central administrative costs				(19,156)
Finance costs				(3,902)
Profit before income tax				9,262

Six months ended 30 June 2009

	Agriculture- related products RMB'000 (Unaudited)	Raw materials RMB'000 (Unaudited)	Magnesium- related products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	204,590	3,456	–	208,046
Segment results	30,299	(2,297)	–	28,002
Other income and gains				9,842
Central administrative costs				(12,078)
Finance costs				(3,857)
Profit before income tax				21,909

Segment results represents the results from each segment without allocation of central administrative costs (including directors' salaries), other income and gains, net loss (gain) on investment held for trading, net exchange loss (gain), finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by operating segment:

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Agriculture-related products	145,455	168,297
Raw materials	25,656	32,104
Magnesium-related products	189,105	173,975
	360,216	374,376
Unallocated corporate assets	817,192	825,472
Total assets	1,177,408	1,199,848

5. Gain on Disposal of a Subsidiary

On 20 January 2010, a subsidiary of the Company, entered into a sale agreement to dispose of its 60% equity interest in 福州美地國際貿易有限公司 (“福州美地”), which engaged in trading of compound fertilizers in the People of Republic China (the “PRC”). The disposal was completed on 20 January 2010, on which date the Group passed the control of 福州美地 to the buyer.

The net assets of 福州美地 at the date of disposal were as follows:

	20 January 2010
	RMB'000
	(Unaudited)
Net assets disposed of	3,050
Non-controlling interest	(1,220)
Gain on disposal	220
Total consideration	2,050
Satisfied by:	
Cash	2,050
Net cash inflow arising on disposal:	
Total cash consideration received	2,050
Bank balances and cash disposed of	(618)
	1,432

6. Income Tax Expense

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax	2,991	5,053

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the period (2009: Nil).

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated weighted average annual tax rate used is 25% for the periods. Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. No overseas income tax have been provided for the period as the overseas incorporated company is either exempted from other jurisdictions or loss making during the period.

7. Profit for the Period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets and land use rights	836	930
Depreciation of property, plant and equipment and investment properties	16,755	15,919
Impairment of property, plant and equipment	–	1,350
Allowance for inventories (included in cost of sales)	–	2,008

8. Earnings Per Share

(a) *Basic*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	9,778	19,885
Weighted average number of ordinary shares in issue ('000)	2,253,070	2,250,281
Basic earnings per share (RMB per share)	0.43 cents	0.88 cents

(b) *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.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	9,778	19,885
Weighted average number of ordinary shares in issue ('000)	2,253,070	2,250,281
Adjustment for share options ('000)	–	5,542
Weighted average number of ordinary shares for diluted earnings per share ('000)	2,253,070	2,255,823
Diluted earnings per share (RMB per share)	0.43 cents	0.88 cents

9. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

10. Property, Plant and Equipment

During the period, the Group disposed of certain property, plant and machinery with a carrying amount of RMB80,000 for cash proceeds of RMB50,000, resulting in a loss on disposal of RMB30,000. No disposal of property, plant and machinery for the period ended 30 June 2009.

In addition, the Group spent approximately RMB16,787,000 (2009: RMB39,134,000) on additions to property, plant and equipment during the period.

11. Trade and Other Receivables

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Trade receivables	39,161	52,737
Prepayments and deposits	4,339	12,884
Other receivables	29,904	12,744
Deposits placed with financial institutions	–	7,876
	73,404	86,241

The Group allows a credit period normally up to 180 days (2009: up to 180 days) to its trade customers.

The following is an aging analysis of trade receivables, presented based on the invoice date.

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Within 30 days	24,657	20,320
31 to 60 days	9,020	21,492
61 to 90 days	212	3,686
Over 90 days	5,272	7,239
	39,161	52,737

12. Trade and Other Payables

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Trade payables	20,260	10,237
Accruals and other payables	48,141	75,117
	68,401	85,354

The following is an aging analysis of trade payables, presented based on the invoice date.

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Within 30 days	15,908	9,168
31 to 60 days	1,242	488
61 to 90 days	50	161
Over 90 days	3,060	420
	20,260	10,237

13. Share Capital

	Number of shares '000	Share capital '000
Authorised:		
As at 1 January 2009, 30 June 2009, 1 January 2010 and 30 June 2010		
Ordinary shares of HK\$0.02 each	5,000,000	HK\$100,000
Issued and fully paid:		
As at 1 January 2009 (audited)	2,219,420	RMB46,426
Employee share option scheme		
– proceeds from shares issued (note)	33,650	RMB592
As at 30 June 2009, 1 January 2010 and 30 June 2010 (unaudited)	2,253,070	RMB47,018

Note: During the period ended 30 June 2009, 33,650,000 ordinary shares of HK\$0.02 each were issued at HK\$0.126 each for cash totaling approximately HK\$4,340,000 (equivalent to approximately RMB3,731,000) pursuant to the employee share option scheme. The premium arose from the issue of the new shares of approximately HK\$4,628,000 was credited to the share premium account. The new shares rank pari passu in all respects with the then existing shares in issue.

14. Capital Commitments

	As at 30 June 2010 RMB'000 (Unaudited)	As at 31 December 2009 RMB'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment which is contracted for but not provided in the unaudited condensed consolidated financial statements	3,977	8,801

15. Contingent Liabilities

As at 30 June 2010, the Group did not have any material contingent liabilities.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

FINANCIAL AND BUSINESS REVIEW

During the six months ended 30 June 2010, the total turnover of the Group amounted to RMB180,276,000, representing a decrease of approximately 13% compared with the corresponding period in 2009.

In the first half year, some provinces in China suffered from serious drought, affecting the demand of agriculture related products and caused adverse effect to the market. Accordingly, the Group made corresponding adjustments to the pricing strategy so as to maintain the market share. In addition, due to the reconstruction of the plant for fertilizer production in Jiangsu province to enlarge production capacity, fertilizer production and sales dropped 15% and 29% respectively compared to the corresponding period of last year, while the sales revenue decreased by 36%. But as production capacity increases and production planning becomes more efficient, the Group believes that better performance will be delivered in the second half of the year.

Our raw materials are available for external sales after satisfied the need for production fertilizers. Since there is a fall in the raw materials used in fertilizer production, the sales and sales revenue recorded a significant surge by 285% and 495% respectively compared to the corresponding period of last year.

However, as more competitors has entered the market during this year, our business in Jiangxi and Fujian is challenged, the Group shall make necessary adjustments in respect of price strategy, so as to strengthen and expand the market share. During the period under review, the production and sales of microbial compound fertilizer products have grown by 14% and 11% respectively, but due to price strategy adjustment, sales revenue has declined by 10% compared with corresponding period of last year.

The Group has launched several new pesticide products in the first half of the year, but as the overall average price has decreased, the sales dropped by 17% compared with the same period last year.

In addition, mainly due to fair value change in investments classified as held-for-trading, the Group has recorded RMB3,309,000 net loss on investments held for trading during the period under review, while we benefited from fair value gains in the corresponding period of last year. During the first half of 2010, the Group recorded a net exchange loss of RMB1,223,000, compared with a net exchange gain of RMB3,159,000 in same period of last year. Such change was due to the appreciation of Renminbi against other foreign currencies during the period under review. Other income and gains of the Group amounted to RMB6,686,000, representing an increase of approximately 11% compared to the same period of last year. The total operating expenses were RMB19,641,000, decreased by 3%, among which the selling and marketing costs amounted to RMB5,017,000, which is comparable to last year, and administrative expenses were RMB14,624,000, representing a decrease of 4%.

Sales and marketing costs

During this period, the transportation costs and the salaries and commission fees were comparable to that of the same period of last year. During the period, the transportation cost increased by 17%, accounted for 38% of the sales and marketing costs. The salaries and commission fees decreased by approximately 20%, accounted for 40% of the sales and marketing costs.

Administrative expenses

During the period, administrative expenses was reduced by 4% to RMB14,624,000. Approximately 40% and 31% of the administrative expenses were derived from the depreciation and amortization expenses and the salary costs respectively.

Profit attributable to owners of the Company for the first half of 2010 decreased by approximately 51% to RMB9,778,000 when compared to the same period in 2009.

LIQUIDITY, GEARING AND FINANCIAL RESOURCES

As at 30 June 2010, the net current assets of the Group were approximately RMB690,996,000, in which cash and cash equivalents was approximately RMB218,670,000.

The Group has been granted a long term loan of RMB120,000,000 by International Finance Corporation in November 2006. Such loan bears interest at 5.38% per annum and is due for one bullet payment in November 2013.

As at 30 June 2010, the Group's gearing ratio as measured by the total borrowings over total equity was approximately 12%.

Management had carefully considered the liquidity of the Group and ensures that the Group has sufficient liquid resources to enable the Group to meet in full its business requirements and its financial obligations.

FOREIGN EXCHANGE RISK

The Group's assets, borrowings and major transactions are mainly denominated in Renminbi. The Group's exposure to exchange rate risk mainly come from the Group's assets that denominated in foreign currencies. We seek to reduce the exchange rate risk by matching the sources of our funds with its utilization to avoid the impact arising from fluctuation of exchange rate. As the liquidity of Renminbi increases over time, there are certain instruments come into existence in the market which may hedge against or reduce the fluctuations of Renminbi against other foreign currencies. The Group will endeavour to look for effective methods to minimize its exchange rate risk.

BUSINESS OUTLOOK

Agriculture-related products business

Being a major agricultural country, the People's Republic of China (the "PRC") is having a population largely composed of peasants, thus providing steady job opportunities to them and developing rural economy have become one of the vital policies of the PRC. In this regard, the agricultural development in the PRC is having enormous potential in light of the tremendous support from the state, arousing huge market demand towards agriculture-related products.

Riding on its predominance in its firm and long term client base, excellent product quality and brand awareness, the Group believes that agriculture-related products business is set to enjoy sustainable steady development and remain a major revenue source to the Group.

Magnesium business

Construction of the Group's production plant in Baishan City of Jilin Province, the PRC is now completed. The plant has an annual production capacity of 10,000 tonnes of magnesium ingots and magnesium alloy products. Currently, it is undergoing completion inspection and has entered the load testing stage. However, basic facilities like local roadway and power supply were pending renovation after the persistent rainstorm and flooding occurred in Baishan City of Jilin Province during the summer, the time needed for testing work was prolonged. It is expected that trial production will commence in the fourth quarter of 2010.

The Group believes that the factory, configured advanced production equipment and technology, has ranked itself at a leading position in the industry. Magnesium and magnesium alloy products have been widely used in a diverse variety of aspects including aerospace, automotive, electronic products and medical and civil use, and are known as the green engineering materials of the most massive development potentials in this century. They are blessed with very promising market prospects. The PRC has become the world's largest producer and exporter of magnesium. According to China's 11th Five-Year Plan, the development and industrialization of magnesium alloy products fall within the "preferred development" category. Invigorated by support from the national policies and rapid growth in market demand, magnesium and magnesium alloy products are set to become a sustainable industry.

Serpentine business

Pursuant to the memorandum of understanding entered into on 19 December 2008, the Group intended to acquire a serpentine mine located in Jiangsu Province, the PRC from an independent third party. Such mineral asset has serpentine mineral resources reserves of not less than 60 million tonnes. To facilitate various professional institutions to conduct due diligence and complete the related process for acquisition as soon as possible, the Group signed a supplemental agreement with the vendor on 22 December 2009 to defer the long stop date of the acquisition to 30 September 2010.

Serpentine is a mineral resource of versatile usage, containing silicon and magnesium as its main components. At present, serpentine is mainly used in extracting magnesium oxide, producing calcium, magnesium and phosphate fertilizers as well as metallurgical flux in the PRC, and is a raw material for fertilizers production and an indispensable auxiliary raw material in steel making.

The successful completion of this acquisition helps securing the upper stream raw materials for the Group in magnesium smelting and fertilizers production while allowing the Group to reap benefits from the continual development of iron and steel industry of the PRC. As such, the Group believes this acquisition can diversify its business to a further extent and create synergy effects with existing businesses, enabling future results and investment return to blossom.

Financial Business

On 18 June 2010, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire interest of Sunshine Partners Financial Holdings Limited (“Sunshine Partners”). Sunshine Partners is an integrated financial group that engaged in businesses such as dealing in securities, corporate finance, sponsorship listing, assets management and securities consultant in Hong Kong through its subsidiaries, namely Partners Capital Securities Limited, Partners Capital International Limited and Sunshine Asset Management (HK) Limited, and holding type 1, type 4, type 6 and type 9 licences issued by the Securities and Futures Commission. Partners Capital (Singapore) Private Limited, another subsidiary of Sunshine Partners, possesses of a licence issued by Monetary Authority of Singapore and engages in corporate finance business in Singapore. The business focus of Sunshine Partners is to provide full range of quality service to those outstanding small and medium sized listing companies. It has recorded more remarkable showings in Hong Kong and Singapore markets in recent years.

With the continual development of the PRC economy, Hong Kong’s status as a financial centre is set to be more prominent, constituting a promising future for the financial service sector. Looking to the future, the surging trend in the demand from the PRC enterprises and people towards financial services, together with the Group’s extensive network in the PRC as well as our greater brand awareness, will facilitate Sunshine Partners to exploit its financial business in Mainland China and capture the opportunities arising from the rapid development of the PRC financial market. The Group will be under stricter regulation upon its acquisition of Sunshine Partners. In terms of business, Sunshine Partners, apart from developing its financial business, will exert its expertise in the Group’s project acquisition, corporate finance and asset management aspects.

Business expansion

The Group firmly believes in “Strong Foundation Enables Expansion; Stable Return Comes From Greater Scale” and strives to achieve steady development by identifying suitable business opportunities. New business opportunities enable the Group reaching further heights and expanding sources of income while diversifying the potential risks of each industry, creating steadier and higher return for shareholders.

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

During the period ended 30 June 2010, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provision set out in the Code on Corporate Governance Practices (the "Code Provision") contained in Appendix 14 of the Listing Rules throughout the period under review save as disclosed below:

Code Provision	Reasons for deviation
A.2.1 Chairman and Chief Executive Officer	The Board is of the view that it is the best interests of the Group to adopt a single leadership structure, instead of dual leadership structure as Mr. Chi possesses extensive experience and knowledge in the PRC market and he is playing significant role in establishing the strategic decision and the overall management of the Group. The Board considers that there is no suitable professional or expertise in the market to fill the position of CEO at this stage.

Following the end of the period under view, Mr. Chu Wai Wa, Fangus (“Mr. Chu”) resigned as an independent non-executive director on 1 July 2010.

Code Provision	Reasons for deviation
A.3 Board composition – number of independent non-executive Directors below the minimum number required under Rule 3.10 (1) of the Listing Rules	The Company will identify suitable candidate for the appointment of a new independent non-executive director as soon as possible and in any event within three months from the date of 1 July 2010 as required under Rule 3.11 and Rule 3.23 of the Listing Rules.
C.3 Audit Committee – members of the Audit Committee below the minimum number required under Rule 3.21 of the Listing Rules.	The Company will identify suitable candidate for the appointment of a new independent non-executive director as soon as possible and in any event within three months from the date of 1 July 2010 as required under Rule 3.11 and Rule 3.23 of the Listing Rules.

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 to 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 period under review.

HUMAN RESOURCES

As at 30 June 2010, the Group employed approximately 960 employees (2009: approximately 570 employees). The increase in headcount was mainly to cope with the trial run of the Group's production plant in Jilin Province, the People's Republic of China. The Group determined salaries by reference to individual performance, working experience and prevailing market conditions. Staff benefits include medical protection, regular contribution provident fund, discretionary bonus and employee share option scheme. The Group has not experienced any labour disputes or significant labour turnover which may undermine its normal operation. The Directors consider that the Group enjoys a good relationship with its staff.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Remuneration Committee") was established in December 2005. As at 30 June 2010, the Remuneration Committee has four members, namely Mr. Kwong Ping Man, Mr. Chu, Mr. Liu Hoi Keung and Mr. Shum Sai Chit. Mr. Kwong Ping Man is the chairman of the Remuneration Committee. Following the resignation of Mr. Chu on 1 July 2010, there are three members in the Remuneration Committee.

The Remuneration Committee is to review and make recommendations to the Board on the remuneration packages of the Directors and senior management of the Group and to formulate transparent procedures for developing remuneration policies and packages for Directors and senior management of the Group.

AUDIT COMMITTEE

The Audit Committee was established in January 2004. As at 30 June 2010, the Audit Committee has three members, namely Mr. Kwong Ping Man, Mr. Chu, and Mr. Liu Hoi Keung. Mr. Kwong Ping Man is the chairman of the Audit Committee. Following the resignation of Mr. Chu on 1 July 2010, there are two members in the Audit Committee.

The Audit Committee is to review the Group's financial reporting, the effectiveness of both the internal and external audit and of internal controls and to make recommendations to the Board. During the six months ended 30 June 2010, the Audit Committee held two meetings for the purpose of reviewing the Company's reports and accounts, and providing advices and recommendations to the Board.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2010 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements were complied with the applicable accounting standards and adequate disclosures had been made.

By order of the Board

Shum Sai Chit

Executive Director

Hong Kong, 27 August 2010

As at the date of this announcement, the Company's executive directors are Mr. Chi Wen Fu, Mr. Shum Sai Chit and Ms. Chi Bi Fen, the Company's non-executive director is Ms. Wong May Yuk and the Company's independent non-executive directors are Mr. Kwong Ping Man and Mr. Liu Hoi Keung.