



世纪阳光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

世紀陽光生態科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8276)

2005

FIRST QUARTERLY REPORT

FOR THE THREE MONTHS ENDED 31 MARCH 2005

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

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This report, for which the directors (the “Directors” and individually a “Director”) of Century Sunshine Ecological Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

Turnover of the Group for the three-month period amounted to RMB25,714,000, representing an increase of 46% over the corresponding period in 2004.

Profit attributable to shareholders for the three-month period amounted to RMB9,373,000, representing an increase of 42% over the corresponding period in 2004.

Our new production plant with an annual capacity of 100,000 tonnes of organic fertilizer products in Jiangxi province, the PRC will commence production in May 2005.

Our self-developed eucalypt tree organic fertilizer, the first of its kind in Mainland China, will be formally launched in the second quarter of 2005.



CONSOLIDATED RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months ended 31 March 2005, together with the unaudited comparative figures for the corresponding period in 2004 as follows:

	Notes	Three months ended 31 March	
		2005 RMB'000 unaudited	2004 RMB'000 unaudited
Turnover	2	25,714	17,610
Cost of Sales		(10,656)	(7,972)
Gross Profit		15,058	9,638
Other revenue		318	–
Distribution and selling expenses		(912)	(599)
General and administrative expenses		(3,277)	(1,237)
Research and development costs		(27)	(1,086)
Operating profit		11,160	6,716
Finance costs		(141)	(117)
Profit before taxation		11,019	6,599
Taxation	3	(1,646)	(1)
Profit after taxation		9,373	6,598
Minority interests		–	25
Profit attributable to shareholders		9,373	6,623
Dividend	4	–	–
Earnings per Share	5	RMB2.9 cents	RMB2.1 cents
Diluted earnings per Share	5	RMB2.9 cents	N/A

Notes:

1. Group reorganization and basis of preparation of the accounts

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.

Pursuant to a group reorganization completed on 30 January 2004 (the "Reorganization") in preparation for the listing of the Company's share on GEM, the Company became the holding company of the subsidiaries. Details of the Reorganization were set out in the prospectus issued by the Company dated 5 February 2004 (the "Prospectus"). The shares of the Company (the "Shares") were listed on GEM on 17 February 2004 (the "Listing Date").

The unaudited consolidated results have been prepared on the basis of merger accounting as if the current group structure has been in existence since 1 January 2004, except for the acquisition of additional interests in 三門市世紀陽光農業科技開發有限公司 ("Sanming") in October 2004, which has been accounted for using acquisition accounting.

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report conform with accounting principles generally accepted in Hong Kong.

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

2. Turnover

The Group is principally engaged in the production and sale of agricultural organic fertilizers. Revenues recognized for the three months ended 31 March 2005 with the comparative figures for the corresponding period in 2004 are as follows:

	Three months ended 31 March	
	2005 RMB'000 unaudited	2004 RMB'000 unaudited
Sales of		
– Microbial compound fertilizers	10,645	7,288
– Organic tea fertilizers	8,634	4,983
– Premium organic fertilizers	2,389	786
– Organic compound fertilizers	3,983	4,553
– Others	63	–
Total revenues	25,714	17,610

No segmental information is presented as the Group is principally engaged in the production and sale of agricultural organic fertilizers to customers in Mainland China. Accordingly, the Directors consider that there is only one business segment and one geographical segment.

3. Taxation

	Three months ended 31 March	
	2005 <i>RMB'000</i> <i>unaudited</i>	2004 <i>RMB'000</i> <i>unaudited</i>
The charge comprises:		
Hong Kong profits tax	–	–
PRC income tax	1,646	1
	1,646	1

(a) Hong Kong profits tax

No provision for Hong Kong profit tax has been made as the Group had no assessable profit arising in or derived from Hong Kong for the three months ended 31 March 2005 (2004: Nil)

(b) Mainland China enterprise income tax ("Mainland China EIT")

The subsidiaries established in Mainland China are subject to Mainland China EIT at rates ranging from 27% to 33%. Green Land Bio-Products Co. Ltd. ("Green Land") and Century Sunshine (Nan Ping) Biology Engineering Co. Ltd. ("Nan Ping") are wholly owned foreign enterprises engaged in the production of agricultural organic fertilizer with operating periods of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are fully exempted from Mainland China EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in Mainland China EIT for the next three years. Tax provision of approximately RMB1,646,000 in relation to Mainland China EIT was provided for Green Land for the three months ended 31 March 2005.

Sanming, Century Sunshine (Jiangxi) Ecological Technology Limited and 世紀陽光(福建)農業科技發展有限公司 ("Century Sunshine (Fujian)") were loss-making for the three months ended 31 March 2005.

(c) Mainland China value-added tax

The Group's sale of agricultural organic fertilizers were carried out by Greenland, Nan Ping and Century Sunshine (Fujian), which are exempted from Mainland China value-added tax according to relevant Mainland China tax regulations.

(d) Others

No profit tax was provided for the Company and its subsidiaries operating outside Hong Kong and Mainland China as they were not subject to taxation in their respective jurisdiction of incorporation/operation.

(e) Deferred taxation

The Group had no material unprovided deferred tax. (2004: Nil)

4. Dividend

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2005. (2004: Nil)

5. Earnings per Share

The calculation of the Group's basic earnings per Share is based on the consolidated profit attributable to shareholders of RMB9,373,000 (2004: RMB6,623,000), and on the weighted average of 320,000,000 (2004: 320,000,000) ordinary Shares in issue during the period.

The calculation of the Group's diluted earnings per Share for the period ended 31 March 2005 is based on the consolidated profit attributable to shareholders of RMB9,373,000, and on the weighted average number of 320,000,000 ordinary Shares in issue during the period plus the weighted average of 4,232,907 ordinary Shares deemed to be issued at no consideration if all outstanding options had been exercised.

The Group's diluted earnings per Share for the period ended 31 March 2004 was not presented as the Company had no dilutive potential ordinary Shares as at 31 March 2004.

6. Share Capital and Reserves

	Share Capital	Share Premium	Capital Reserve	Employee share-based compensation reserve	Statutory Reserves	Share Issuance Costs	Retained Earnings	Exchange Reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited	unaudited
As at 1 January 2004	25,440	-	8,699	-	4,437	(3,343)	21,873	-	57,106
Capitalisation of amount due to shareholders	-	-	3,266	-	-	-	-	-	3,266
Profit for the period	-	-	-	-	-	-	6,623	-	6,623
Appropriation of retained earnings	-	-	-	-	1,574	-	(1,574)	-	-
Issuance of shares on listing	8,480	38,160	-	-	-	-	-	-	46,640
Capitalisation of share premium accounts	-	(23,638)	-	-	-	-	-	-	(23,638)
Share issuance costs credited against share premium upon issue of shares	-	(10,171)	-	-	-	3,343	-	-	(6,828)
Exchange differences	-	-	-	-	-	-	-	28	28
As at 31 March 2004	33,920	4,351	11,965	-	6,011	-	26,922	28	83,197
As at 1 January 2005	33,920	3,371	11,965	-	7,324	-	55,071	29	111,680
Profit for the period	-	-	-	-	-	-	9,373	-	9,373
Employee share option benefits	-	-	-	810	-	-	-	-	810
Exchange difference	-	-	-	-	-	-	-	(3)	(3)
As at 31 March 2005	33,920	3,371	11,965	810	7,324	-	64,444	26	121,860
Representing:									
2004 final dividend							10,176		
Others							54,268		
Retained earning as at 31 March 2005							64,444		

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover of the Group for the three months ended 31 March 2005 amounted to RMB25,714,000, representing an increase of 46% from the same period last year. For the three-month period, the Group's total sales volume reached 16,000 tonnes of organic fertilizers, representing an increase of 52% from the same period last year. This significant increase in turnover and sales volume were primarily attributable to the commencement of operation of Jianou plant in August 2004. During the period, Jianou plant produced approximately 7,400 tonnes of organic fertilizer products. In addition, the selling prices of premium organic fertilizer and humic acid organic fertilizer increased by 21% and 15% respectively starting from October 2004. Such price rise also contributed to turnover and profit growth during the period under review.

For the three-month period, the total operating expenses of the Group amounted to approximately RMB4,216,000, representing an increase of 44% from the same period last year. Detailed analysis is as follows:

Distribution and selling expenses

Distribution and selling expenses amounted to approximately RMB912,000, representing an increase of 52% from the same period last year. Such increase was primarily due to the recruitment of additional sales personnel and increased marketing activities following the commencement of operation of our Jianou plant.

General and administrative expenses

General and administrative expenses amounted to approximately RMB3,277,000 which includes an amortization of RMB810,000 representing the fair value of the share options granted last year for the three-month period. Such treatment is in accordance with the newly adopted Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Without taking into account the amortization charges for share options, general and administrative expenses increased by approximately RMB1.2 million or 100% from the same period last year. Such increase was primarily due to salary increase by about RMB470,000 as a result of the recruitment of new administrative staff and general expenses incurred for the acquisition of the Jiangxi fertilizer factory during the three-month period.



Research and development (“R&D”) costs

The Group completed eight R&D projects in 2004 and did not conduct any new projects in the three-month period. Therefore, R&D costs decreased significantly from RMB1,086,000 in 2004 to RMB27,000 this year.

The Group’s profit attributable to shareholders for the three months ended 31 March 2005 was RMB9,373,000, representing an increase of 42% from the same period last year. Tax provision of approximately RMB1,646,000 was provided for Green Land and led the net profit margin decreased by 2% to 36% from the corresponding period last year.

BUSINESS REVIEW AND OUTLOOK

Jiangxi Plant

Century Sunshine (Jiangxi) Ecological Technology Limited, a subsidiary of the Company, acquired the production assets of a former fertilizer factory in Jiangxi province, the PRC for a consideration of RMB21,500,000 in January 2005. By making modifications to the acquired assets and installation of new production equipment, we completed a new production facility with an annual capacity of 100,000 tonnes of organic fertilizer products in April 2005. The Group expects the new plant to commence production in late May 2005.

Eucalypt tree organic fertilizer

Our self-developed eucalypt tree organic fertilizer, the first of its kind in Mainland China, will be formally launched in the second quarter this year. The eucalypt tree organic fertilizer is primarily used for the plantation of eucalypt trees. There has been a rapid growth in the plantation of eucalypt trees in the southern provinces of China in recent years. We believe this new product will make significant contribution to the Group’s turnover and profit this year.

Bio-pesticide products

In 2004, we completed the research and development of a variety of bio-pesticide products. During the three-month period, we commenced production of these products through a number of contractors in the provinces of Fujian, Zhejiang, Jiangsu and Hebei. In preparation for the distribution of these products, we also set up a sales network covering ten major provinces in the PRC including Fujian, Zhejiang, Guangdong, Guangxi, Hunan, Hubei, Jiangsu, Shandong, Sichuan and Yunnan. It is expected that the bio-pesticide products will start contributing to the Group’s turnover and profit from the second quarter this year.



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

As at 31 March 2005, the interests and short positions of Director or chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region ("SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; (c) as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the Shares of the Company

Name of Director	Capacity	Number of Shares	Percentage of issued share capital of the Company
Chi Wen Fu	Corporate (Note 1)	193,696,970	60.53%
Shum Sai Chit	Corporate (Note 2)	30,303,030	9.47%
Wong May Yuk	Corporate (Note 3)	30,303,030	9.47%
Wu Wen Jing, Benjamin	Personal Interest	2,340,000	0.73%

Notes:

1. Mr. Chi Wen Fu is beneficially interested in 80% of the entire issued share capital of Alpha Sino International Limited ("Alpha Sino"), which in turn holds 193,696,970 shares of the Company as at 31 March 2005.
2. Mr. Shum Sai Chit is beneficially interested in 50% of Go Modern Limited, which in turn holds 30,303,030 shares of the Company as at 31 March 2005.
3. Ms. Wong May Yuk is beneficially interested in 50% of Go Modern Limited which in turn holds 30,303,030 shares as at 31 March 2005.

(ii) *Directors' interests in associated corporations*

Name	Name of associated corporation	Nature of interest and capacity	Total number of shares	Approximate percentage of interest
Chi Wen Fu	Alpha Sino	Personal <i>(Note 1)</i>	8	80%
Zou Li	Alpha Sino	Personal <i>(Note 1)</i>	2	20%

Note:

1. The entire issued share capital of Alpha Sino is beneficially owned as to 80% and 20% by Mr. Chi and Ms. Zou, respectively.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme (the Scheme") adopted on 31 January 2004 by the written resolutions of the Company's then sole shareholder, Alpha Sino, the Company granted certain options to the following Director which entitle the holder to subscribe for ordinary shares of the Company. Further details of the Scheme are set out under the heading "Share Option Scheme" below. No share option was granted to or exercised by the Directors during the period under review.

Details of the share option outstanding as at 31 March 2005 are as follows:

Name of Director	Date of grant	Outstanding at 31 March 2005	Exercise price of options
Zhou Xing Dun	11 October 2004	3,200,000	HK\$0.63

The Director will be entitled to exercise (i) 1,800,000 options in June 2005 and (ii) 1,400,000 options in January 2009.

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.

SHARE OPTION SCHEME

On 31 January 2004, the Scheme was approved by a written resolution of the shareholders of the Company. The purpose of 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 from that date.

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\$0.10. 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.

Details of the share options granted and remain outstanding as at 31 March 2005 are as follows:

Options held at 1 January 2005	Options granted during the period	Options lapsed/ cancelled during the period	Options held at 31 March 2005	Exercise price HK\$	Date of grant	Exercisable in June 2005	Exercisable in December 2007	Exercisable in January 2009
(A) Employees								
14,500,000	-	-	14,500,000	0.63	11 Oct 2004	14,500,000	-	-
600,000	-	-	600,000	0.63	11 Oct 2004	300,000	300,000	-
11,810,000	-	-	11,810,000	0.63	11 Oct 2004	5,305,000	-	6,505,000
1,250,000	-	-	1,250,000	0.63	11 Oct 2004	-	-	1,250,000
(B) Director								
3,200,000	-	-	3,200,000	0.63	11 Oct 2004	1,800,000	-	1,400,000

Notes:

1. During the period under review, no options were granted and exercised.
2. 3,200,000 options were granted to the Director, Mr. Zhou Xing Dun. Please refer to the section headed "Directors' right to acquire shares or debentures" for details.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, so far as is known to any Director or chief executive of the Company, the following persons had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of the Division 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity	Number of Shares	Percentage of issued share capital of the Company
Alpha Sino	Beneficial Owner <i>(Note 1)</i>	193,696,970	60.53%
Go Modern Limited	Beneficial Owner <i>(Note 2)</i>	30,303,030	9.47%
Qi Yuan Asset Management (H.K.) Ltd	Beneficial Owner	19,295,000	6.03%

Notes:

1. The entire issued share capital of Alpha Sino is beneficially owned as to 80% and 20% by Mr. Chi Wen Fu and Ms. Zou Li, respectively.
2. The entire issued share capital of Go Modern Limited is beneficially owned as to 50% each by Mr. Shum Sai Chi and Ms. Wong May Yuk.

Save as disclosed herein, as at 31 March 2005, so far as is known to any Director or chief executive of the Company, no persons (other than a Director or the chief executive of the Company) has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTERESTS

During the period under review, none of the Directors nor the management shareholders of the Company nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

SPONSOR'S INTERESTS

To the best knowledge of the Company's sponsor, CSC Asia Limited, its directors, employees or associates (as referred to in Note 3 Rule 6.35 of the GEM Listing Rules) did not have any interest in the securities of the Company as at 31 March 2005.

Pursuant to the sponsor's agreement dated 4 February 2004 entered into between the Company and the sponsor, the sponsor has received and shall continue to receive an annual fee for acting as the Company's sponsor for the period from the Listing Date to 31 December 2006.

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

During the period under review, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted in accordance with the GEM Listing Rules.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the internal and external audit and of internal controls and risk evaluation. The Audit Committee has three members comprising all the independent non-executive Directors, namely Messrs. Shen Yi Min, Cheung Soung Poon and Kwong Ping Man. Mr. Cheung Sound Poon is the chairman of the Audit Committee.

By order of the Board
Chi Wen Fu
Chairman

Hong Kong, 09 May 2005