



世纪阳光

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

Safe

Healthy

Ecological

Interim Report

2005

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 period under review amounted to RMB62,934,000, representing an increase of 82% over the corresponding period of 2004.

Profit attributable to shareholders for the six months ended 30 June 2005 increased by approximately 88% to RMB20,480,000 as compared to the corresponding period of 2004.

Our bio-pesticide products were formally launched and started contributing to the Group's turnover for the period under review.

The Board recommends a payment of interim dividend of HK\$0.015 per share for the year ending 31 December 2005.



INTERIM RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the three months and six months ended 30 June 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 June		Three months ended 30 June	
		2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Turnover	2	62,934	34,566	37,220	16,956
Cost of sales		(29,462)	(15,368)	(18,806)	(7,396)
Gross profit		33,472	19,198	18,414	9,560
Other revenue		425	1	107	1
Distribution and selling expenses		(2,775)	(1,303)	(1,863)	(704)
General and administrative expenses		(6,736)	(2,443)	(3,459)	(1,206)
Research and development costs		(301)	(4,459)	(274)	(3,373)
Operating profit	3	24,085	10,994	12,925	4,278
Finance costs		(537)	(120)	(396)	(3)
Profit before taxation		23,548	10,874	12,529	4,275
Taxation	4	(3,068)	(1)	(1,422)	-
Profit for the period		20,480	10,873	11,107	4,275
Attributable to:					
Equity holders of the Company		20,480	10,902	11,107	4,279
Minority interest		-	(29)	-	(4)
Dividend	5	5,088	-	5,088	-
Earnings per share:					
Basic	6	RMB6.4 cents	RMB3.4 cents	RMB3.5 cents	RMB1.3 cents
Diluted	6	RMB6.2 cents	-	RMB3.3 cents	-

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2005 RMB'000 unaudited	As at 31 December 2004 RMB'000 audited
Non-current assets			
Fixed assets	7	56,971	16,014
Investment Deposit		–	2,000
Intangible assets		2,732	3,634
		59,703	21,648
Current assets			
Inventories		10,710	3,030
Trade receivables	8	15,024	12,019
Prepayment, deposits and other receivable		6,923	9,218
Cash and bank balances		63,610	70,474
		96,267	94,741
Current liabilities			
Bank loans	9	14,784	–
Trade payables	10	394	608
Accruals and other payables		4,009	4,069
Taxation payables		3,004	29
		22,191	4,706
Net current assets		74,076	90,035
Total assets less current liabilities		133,779	111,683
Financed by:			
Share capital	11	33,920	33,920
Reserves		89,680	77,760
Shareholders' fund		123,600	111,680
Minority interests		3	3
Non-current liabilities			
Bank Loan	9	10,176	–
		133,779	111,683



UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005 <i>RMB'000</i> unaudited	2004 <i>RMB'000</i> unaudited
Net cash inflow from operating activities	18,735	9,579
Net cash outflow from investing activities	(39,843)	(2,833)
Net cash inflow from financing activities	14,247	31,002
Net (decrease)/increase in cash and cash equivalents	(6,861)	37,748
Cash and cash equivalents at the beginning of the period	70,474	4,655
Effect of foreign exchange rate changes	(3)	–
Cash and cash equivalents at the end of the period	63,610	42,403
Analysis of balances of cash and cash equivalents		
Cash and bank balances	63,610	42,403

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	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
As at 1 January 2004	1,802	-	8,699	-	4,437	(3,343)	21,873	-	33,468
Capitalization of amount due to shareholders	-	-	3,266	-	-	-	-	-	3,266
Profit for the period	-	-	-	-	-	-	10,902	-	10,902
Appropriation of retained earnings	-	-	-	-	1,574	-	(1,574)	-	-
Issuance of shares on listing	8,480	38,160	-	-	-	-	-	-	46,640
Capitalization of share premium accounts	23,638	(23,638)	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	(7,746)	-	-	(7,746)
Share issuance costs credited against share premium upon issue of shares	-	(11,089)	-	-	-	11,089	-	-	-
Exchange differences	-	-	-	-	-	-	-	28	28
As at 30 June 2004	33,920	3,433	11,965	-	6,011	-	31,201	28	86,558
As at 1 January 2005	33,920	3,371	11,965	-	7,324	-	55,071	29	111,680
Profit for the period	-	-	-	-	-	-	20,480	-	20,480
Employee share option benefits	-	-	-	1,619	-	-	-	-	1,619
Payment of final dividend for the year of 2004	-	-	-	-	-	-	(10,176)	-	(10,176)
Exchange difference	-	-	-	-	-	-	-	(3)	(3)
As at 30 June 2005	33,920	3,371	11,965	1,619	7,324	-	65,375	26	123,600
Representing:									
2005 interim dividend							5,088		
Others							60,287		
Retained earning as at 30 June 2005							65,375		

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 were listed on GEM on 17 February 2004 (the "Listing Date").

The unaudited condensed consolidated financial statements 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 unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

Principal accounting policies adopted in these financial statements are the same as those adopted in preparing the 2004 annual financial statements, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The Directors considered that the adoption of the new HKFRS has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been made.

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

The unaudited condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements.

2. Turnover

The Group is engaged in the production and sale of organic fertilizers and bio-pesticides. Revenues recognized during the three months and six months ended 30 June 2005 with the comparative figures for the corresponding periods in 2004 are as follows:

	Six months ended 30 June		Three months ended 30 June	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Sales of				
– Microbial compound fertilizers	20,686	14,958	10,041	7,670
– Organic tea fertilizers	13,189	9,229	4,555	4,246
– Premium organic fertilizers	8,752	1,591	6,363	805
– Organic compound fertilizers	17,273	8,788	13,290	4,235
	59,900	34,566	34,249	16,956
– Bio-pesticides	3,034	–	2,971	–
Total revenues	62,934	34,566	37,220	16,956

The business segmental results for the six months ended 30 June 2005 are as follows:

	Six months ended 30 June 2005			
	Organic fertilizers RMB'000 (unaudited)	Bio-pesticides RMB'000 (unaudited)	Unallocated RMB'000 (unaudited)	Total RMB'000 (unaudited)
Sales	59,900	3,034	–	62,934
Operating profit	24,605	758	(1,278)	24,085
Finance costs				(537)
Profit before taxation				23,548
Taxation				(3,068)
Profit for the period				20,480

No business segmental results is presented for the six months end 30 June 2004 as the Group is only engaged in the production and sale of organic fertilizers during the period.

The Group's operations are principally carried out in the PRC and the Group's assets are substantially located in Hong Kong and the PRC. Accordingly, no geographical segmental results is presented.

3. Operating Profit

Operating profit is arrived at after charging the following:

	Six months ended 30 June		Three months ended 30 June	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Amortisation of intangible assets	908	658	445	330
Depreciation of fixed assets	909	719	454	373

4. Taxation

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 six months ended 30 June 2005 (2004: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June		Three months ended 30 June	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Current income tax:				
Hong Kong profits tax	—	—	—	—
Overseas taxation	3,068	1	1,422	—
	3,068	1	1,422	—

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

5. Dividend

At the Board meeting held on 22 March 2005, the Board proposed a payment of final dividend of HK\$0.03 per share for the year ended 31 December 2004, which was approved at the annual general meeting of the Company on 29 April 2005 and was subsequently paid on 9 May 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2005.

At the Board meeting held on 3 August 2005, the Board recommends a payment of interim dividend of HK\$0.015 per share for the year ending 31 December 2005 (2004: Nil) to the shareholders of the Company whose name appear in the register of members on 25 August 2005 and payable on or about 23 September 2005. This dividend is not reflected as a dividend payable in the unaudited condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

6. Earnings per share

The calculation of the basic and diluted earnings per share for the three months and six months ended 30 June 2005 and 30 June 2004 is based on the following data:

	Six months ended 30 June		Three months ended 30 June	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited)
Profit for the period	20,480	10,902	11,170	4,279
Weighted average number of shares for the calculation of basic earnings per share	320,000,000	320,000,000	320,000,000	320,000,000
Effect of dilutive potential shares on the outstanding share options	11,183,888	N/A	15,197,686	N/A
Weighted average number of shares for the calculation of diluted earnings per share	331,183,888	N/A	335,197,686	N/A

For the three months and six months ended 30 June 2004, diluted earnings per share is not presented as the Company had no dilutive potential ordinary shares as at 30 June 2004.

7. Fixed assets

During the six months period, the addition to office equipment, vehicles, plant and machinery were approximately RMB41,843,000 (2004: RMB2,174,000).

8. Trade receivables

The normal credit period granted by the Group ranges from 30 days to 90 days. Overdue balances are reviewed regularly by the senior management. Provision for impairment is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Aging analysis of the Group's trade receivables was as follows:

	As at 30 June 2005 RMB'000 (unaudited)	As at 31 December 2004 RMB'000 (audited)
0 to 30 days	10,086	8,967
31 days to 60 days	5,521	3,325
61 days to 90 days	320	320
91 days to 180 days	16	4
Over 180 days	–	36
	15,943	12,652
Less: provision for impairment of receivables	(919)	(633)
	15,024	12,019

9. Bank loans

	As at 30 June 2005 RMB'000 (unaudited)	As at 31 December 2004 RMB'000 (audited)
Secured bank loans	24,960	–
The analysis of the secured bank loans is as follows:		
Within one year	14,784	–
Between one and two years	6,784	–
Between two and five years	3,392	–
	24,960	–
The bank loans are denominated in the following currencies:		
Reminbi	8,000	–
Hong Kong Dollar	16,960	–
	24,960	–

As at 30 June 2005, the Group had secured bank loans of RMB24,960,000 with interest rates ranging from approximately 6.2% to 7.2% per annum. These bank loans were secured by corporate guarantee provided by the Company and the Company's wholly-owned subsidiary.

10. Trade payables

The normal credit period granted to the Group by its suppliers ranges from 30-90 days.

	As at 30 June 2005 RMB'000 (unaudited)	As at 31 December 2004 RMB'000 (audited)
0 to 30 days	–	482
31 days to 90 days	52	104
Over 90 days	342	22
	394	608

11. Capital structure

	<i>Notes</i>	Number of shares	Par value per share	Paid up amount RMB'000
As at 31 December 2003		240,000,000	HK\$0.10	1,802
Capitalisation of premium account	<i>b</i>	–	–	23,638
New issue of shares	<i>a</i>	80,000,000	HK\$0.10	8,480
As at 30 June 2004		320,000,000	HK\$0.10	33,920
As at 30 June 2005	<i>c</i>	320,000,000	HK\$0.10	33,920

Notes:

- (a) On 17 February 2004, 80,000,000 shares of HK\$0.10 each were issued at HK\$0.55 each by way of placing and public offer, generating net cash proceeds of approximately HK\$33,000,000. The premium over the par value of the shares was credited to the share premium account.
- (b) Immediately after the placing and public offer mentioned in Note (a) above, share premium of HK\$22,300,000 was capitalized for the issuance of 223,000,000 shares of HK\$0.10 each on a pro-rata basis to shareholders of the Company at the close of business on 5 February 2004.
- (c) During the period under review, no shares of the Company were allotted and issued.

12. Capital commitments

Capital expenditure as at 30 June 2005 but not yet incurred is as follows:

	As at 30 June 2005 RMB'000 (unaudited)	As at 31 December 2004 RMB'000 (audited)
Plant and equipment		
Contracted but not provided for	5,805	1,454
Investment in subsidiary		
Capital contribution	–	6,132
	5,805	7,586

13. Contingent liabilities

As at 30 June 2005, the Group did not have any material contingent liabilities.

14. Subsequent events

There have been no material events which took place subsequent to 30 June 2005.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

Turnover of the Group for the six months ended 30 June 2005 amounted to RMB62,934,000, representing an increase of 82% from the corresponding period in 2004. The increase was principally attributable to the following reasons:

(i) Continued increase in demand for the Group's products

Following the prevalence of organic farming concept, market demand for our products continue to grow. During the first half of this year, the total sales volume reached 38,000 tonnes of organic fertilizers, representing an increase of 90% from the same period of last year, and turnover increased by 82%.

(ii) Commencement of production of Jiangxi plant and Jianou plant

Our new plant in Jiangxi province commenced production in this May with an annual production capacity of 100,000 tonnes. Jiangxi plant accounts for 65% of the Group's annual production capacity and boosted our turnover in the first half year. In addition, our Jianou plant commenced operation in August 2004 and contributed significantly to our growth in the first half year.

(iii) Launch of new fertilizer product – eucalypt tree organic fertilizer

We completed the research and development of eucalypt tree organic fertilizer in December last year and subsequently launched the product in this April. The turnover of eucalypt tree fertilizer accounted for 15% and 9% of the total turnover for the second quarter and the six-month period respectively.

(iv) Launching of new business – bio-pesticides

We completed the research and development of a number of bio-pesticides products last year and started to produce these products through several sub-contractors in the first half of this year. For the six-month period, turnover of the bio-pesticides was approximately RMB3,034,000, representing approximately 5% of the Group's turnover. In this June, we acquired a pesticide producer in Jiangxi province and planned to modify and upgrade its existing production facilities. At present, we have built up a bio-pesticides sales network covering thirteen major provinces of the PRC.



Gross Profit

For the six-month period, gross profit of the Group amounted to approximately RMB33,472,000. Gross profit margin decreased slightly by 2.5% to 53% from the same period last year. Such decrease was mainly attributable to the significant increase of eucalypt tree fertilizer and premium organic fertilizer as a percentage of the total turnover from last year. Profit margins of these products are relatively lower than the others, thus leading to a slight decrease in the overall gross profit margin. In addition, profit margin of bio-pesticides was lower than that of organic fertilizer products and thus caused the Group's overall gross profit margin lower. Save for the above, gross margins of the Group's other products remained stable as compared to the same period last year.

Distribution and selling expenses


Distribution and selling expenses amounted to approximately RMB2,775,000, representing an increase of 113% from the corresponding period in 2004. Such increase was mainly due to recruitment of sales personnel and expansion of marketing activities following the commencement of operation of the Jianou and Jiangxi plant, as well as expansion into bio-pesticides business. As a result, selling expenses and advertising costs increased by 108% and 46% respectively.

General and administrative expenses

General and administrative expenses amounted to approximately RMB6,736,000, including charges for share options amounting to RMB1,619,000 which was incurred in accordance with the new HKFRS adopted in 2005. Without taking into account the charges for share options, the general and administrative expenses increased by approximately RMB2,674,000 or 109% from the same period last year. Such increase was mainly attributable to the increase of salary expenses as a result of recruitment of administrative staff and factory workers following the commencement of operation of two new plants.

Research and Development Costs

Research and development costs decreased by 93% from RMB4,459,000 to RMB301,000. For the six-month period, the Group focused on the review and testing of the existing organic fertilizer products and bio-pesticides products and did not engage any new research projects.



The Group's profit attributable to shareholders for the six months ended 30 June 2005 was approximately RMB20,480,000, representing an increase of 88% from the corresponding period in 2004.

BUSINESS OUTLOOK

Eucalypt tree organic fertilizer

Following the rapid growth of eucalypt tree plantation area in the southern provinces of the PRC, we expect a continuous growth in demand for our eucalypt tree organic fertilizers. Our Jiangxi plant will continue the production of eucalypt tree organic fertilizers in order to meet such demand. We expect eucalypt tree organic fertilizers to be a major driver of growth and will account for approximately 20% of the Group's turnover for the whole year.

Sales Network

Following the expansion of production capacity, we will further expand our sales network in Fujian and Jiangxi province in order to increase market share. Both Fujian and Jiangxi are traditional agricultural provinces in the PRC with huge market potentials. While expanding the sales network in these two provinces, we also plan to promote our products to other neighboring provinces for future market expansion.

Bio-pesticides

We acquired a pesticide company in Jiangxi province, the PRC in June this year, enabling us to quickly obtain the relevant licenses for producing pesticides products in the PRC. Similar to fertilizers, pesticide is one of the major farming materials in the PRC with huge market potentials. We plan to modify and upgrade the existing production line and turn it into a production facility with an annual production capacity of 1,800 tonnes of bio-pesticides products. We expect the new facility to commence production in the third quarter of this year.



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

On the Listing Date, the Company obtained net proceeds, after deducting all relevant expenses, of approximately HK\$33 million from the new issue of shares by way of public offer and placing. Up to 30 June 2005, the Group has applied the net proceeds as follows:

	Proposed amount from the Listing Date to 30 June 2005 <i>HK\$(in million)</i>	Actual amount applied from the Listing Date to 30 June 2005 <i>HK\$(in million)</i>
Construction of new production facilities	14	14
Research and Development	2.2	1.7
Installation of computer system	0.4	0.2
Marketing and advertising of the Group's products	1.2	1.2
Working capital	6	6
	23.8	23.1

	Proposed total amount stated in the Prospectus <i>HK\$(in million)</i>	Actual total amount applied from the Listing Date up to 30-Jun-05 <i>HK\$(in million)</i>	Remaining net proceeds <i>HK\$(in million)</i>
Construction of new production facilities	21	14	7
Research and Development	4	1.7	2.3
Installation of computer system	0.4	0.2	0.2
Marketing and advertising of the Group's products	1.6	1.2	0.4
Working capital	6	6	-
	33	23.1	9.9

The remaining net proceeds as at 30 June 2005 of approximately HK\$9.9 million have been placed as short-term interest bearing deposit with banks or financial institutions in Hong Kong and/or the PRC.

Below shows a comparison of the actual business progress of the Group during the period under review and the business objectives stated in the Prospectus:

	Expected progress From 1 January 2005 to 30 June 2005	Actual progress From 1 January 2005 to 30 June 2005
Production	Commence and complete construction of the first phase and commence construction of the second phase of a new production facilities in Anxi, Fujian province which, upon completion, will have total annual production capacity of 20,000 tonnes of organic fertilizer products.	The construction of a new production facilities in Anxi, Fujian province has been postponed to 2006. The Group increased its production capacity of 100,000 tonnes organic fertilizer products by the way of acquisition of assets in Jiangxi province with additional work be made on the modification and new equipment installation. The production facilities in Jiangxi commenced production in May 2005.
Sales and distribution	<p>Additional marketing and advertising spending to increase market penetration of "LU DI" microbial compound fertilizer products and organic fertilizer products within the Fujian province, the PRC.</p> <p>Implement the franchise plan in Fujian, the PRC.</p> <p>Installing computer system linking the Group's head office and production facilities with its distributors for improving production and sales information flow as well as productivity</p>	<p>Marketing and advertising of "LU DI" microbial compound fertilizer products and organic fertilizer products within the Fujian province, the PRC are in progress as planned.</p> <p>The Group are still in the progress of studying the feasibility of implementation of franchise plan in Fujian, the PRC.</p> <p>Installation of computer system is in progress. It is expected that the completion date will be postponed to the year-end of 2005.</p>

**Expected progress
From 1 January 2005
to 30 June 2005**

**Actual progress
From 1 January 2005
to 30 June 2005**

**Research and
Development**

Secure the registration of newly developed organic fertilizers with the Ministry of Agriculture of the PRC.

Registration of newly developed products such as organic fertilizers for lotus plan and bamboo shoot, humic acid organic fertilizer for general application are in progress as planned.

Complete research and development of the biological insecticides for general purposes.

The development stage of biological insecticides for general purposes was completed as planned and the testing stage was entered.

Complete research and development of the soil fertility replenish technology and the city waste treatment project.

The development of soil fertility replenish technology and the city waste treatment project were completed as planned and the testing stage was entered.

Commence and continue research and development of biological insecticides specially for tea plantation.

The research and development of biological insecticides specially for tea plantation was commenced as planned and was expected to be completed in second half of 2005.

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

As at 30 June 2005, the relevant interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

(i) Directors' interests in the Company

Long positions in shares

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	Personal	16,000,000	5%
Wu Wen Jing, Benjamin	Personal	3,440,000	1.08%

Notes:

1. Mr. Chi Wen Fu is beneficially interested in 80% of the entire issued share capital of Alpha Sino International Limited, a company incorporated on 18 December 2002 under the laws of the British Virgin Islands with limited liability, which in turn holds 193,696,970 shares as at 30 June 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 International Limited	Personal <i>(Note 1)</i>	8	80%
Zou Li	Alpha Sino International Limited	Personal <i>(Note 1)</i>	2	20%

Note:

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

Save as disclosed above, as at 30 June 2005, none of the Directors or chief executive of the Company or their respective associates had interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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 International Limited, the Company granted certain options to the following Directors which entitle the holders to subscribe for ordinary shares of the Company. Further details of the Scheme are set out under the heading "Share Option Scheme" below. During the period under review, 2,000,000 options were granted to the Directors and no share option was exercised by the Directors.

Details of the share options outstanding as at 30 June 2005 are as follows:

Name of Director	Date of grant	Outstanding at 30 June 2005	Exercise price of options	Exercisable between June and August 2005	Exercisable in January 2009
Zhou Xing Dun	11 October 2004	3,200,000	HK\$0.63	1,800,000	1,400,000

Name of Director	Date of grant	Outstanding at 30 June 2005	Exercise price of options	Exercisable between July and December 2006	Exercisable between July and December 2007	Exercisable between July 2008 and March 2009
Wu Wen Jing, Benjamin	17 June 2005	1,000,000	HK\$1.47	500,000	500,000	-
Cheung Sound Poon	17 June 2005	500,000	HK\$1.47	150,000	150,000	200,000
Kwong Ping Man	17 June 2005	500,000	HK\$1.47	150,000	150,000	200,000

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 30 June 2005 are as follows:

(A) Share options granted on 11 October 2004

Options held at 1 January 2005	Options exercised during the period	Options lapsed/ cancelled during the period	Options held at 30 June 2005	Exercise price HK\$	Exercisable between June and August 2005	Exercisable in December 2007	Exercisable in January 2009
(A) Employee							
14,500,000	-	-	14,500,000	0.63	14,500,000	-	-
600,000	-	-	600,000	0.63	300,000	300,000	-
11,810,000	-	-	11,810,000	0.63	5,305,000	-	6,505,000
1,250,000	-	-	1,250,000	0.63	-	-	1,250,000
(B) Director							
3,200,000	-	-	3,200,000	0.63	1,800,000	-	1,400,000
31,360,000	-	-	31,360,000		21,905,000	300,000	9,155,000

(B) Share options granted on 17 June 2005

Options held at 1 January 2005	Options granted during the period	Options lapsed/ cancelled during the period	Options held at 30 June 2005	Exercise price HK\$	Exercisable between July and December 2006	Exercisable between July and December 2007	Exercisable between July 2008 and March 2009
(A) Employee							
-	6,000,000	-	6,000,000	1.47	6,000,000	-	-
-	6,200,000	-	6,200,000	1.47	2,600,000	3,600,000	-
-	5,300,000	-	5,300,000	1.47	1,600,000	1,600,000	2,100,000
(B) Director							
-	1,000,000	-	1,000,000	1.47	500,000	500,000	-
-	1,000,000	-	1,000,000	1.47	300,000	300,000	400,000
-	19,500,000	-	19,500,000		11,000,000	6,000,000	2,500,000

Notes:

1. During the period under review, 19,500,000 options were granted and no option was exercised.
2. 5,200,000 options were granted to the executive Directors, Mr. Zhou Xing Dun, the non-executive Director, Mr. Wu Wen Jing, Benjamin and independent non-executive Directors, Messrs. Cheung Sound Poon and Kwong Ping Man. Please refer to the section headed "Directors' right to acquire shares or debentures" for details.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 International Limited	Beneficial Owner <i>(Note 1)</i>	193,696,970	60.53%
Qi Yuan Asset Management (H.K.) Ltd	Beneficial Owner	19,295,000	6.03%
Shum Sai Chit	Beneficial Owner	16,000,000	5.00%

Notes:

- The entire issued share capital of Alpha Sino International Limited is beneficially owned as to 80% and 20% by Mr. Chi Wen Fu and Ms. Zou Li, respectively.

Save as disclosed herein, as at 30 June 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 or the management shareholders of the Company 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 30 June 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.

BOARD PRACTICES AND PROCEDURES

During the period under review, the Company had not fully complied with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules in respect of the Code on Corporate Governance Practices (the "CCGP"). The Board was in the progress of assessing the effect of implementation of the CCGP on the Company's operation. The main deviations from the code provision set out in the CCGP were as follows:

Code provision of CCGP	Reasons for deviation
A.2 Chairman and Chief Executive Officer	Searching for suitable candidate to fill the vacancy
B Remuneration of Directors and senior management	In the progress of forming the remuneration committee and drafting its terms of reference

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors.

AUDIT COMMITTEE

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

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

During the six months ended 30 June 2005, the Audit Committee held two meetings for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board.

The Group's unaudited condensed interim financial statements for the six months ended 30 June 2005 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results was complied with the applicable accounting standard.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 August 2005 to Thursday, 25 August 2005, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend of HK\$0.015 per share of the Company for the year ending 31 December 2005, all transfers of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 22 August 2005.

By order of the Board
Chi Wen Fu
Chairman

Hong Kong, 3 August 2005