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世紀陽光

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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004**

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the “Board”) of the Company, I am pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004 for your consideration. I greatly appreciate this opportunity to share the achievements with shareholders.

TURNOVER AND PROFITS

The financial results for 2004 were very encouraging. For the year ended 31 December 2004, the consolidated turnover of the Group was approximately RMB93,921,000 (2003: RMB55,468,000), representing a growth of 69% from last year, and the audited profit attributable to shareholders was approximately RMB36,085,000 (2003: RMB21,367,000), representing an increase of 69% from last year. The Board is pleased to share the profit growth with shareholders by recommendation of a payment of final dividend of HK\$0.03 per share.

BUSINESS REVIEW

1. Successfully listed on GEM and corporate governance strengthened

Shares of the Company were listed on GEM on 17 February 2004 (the “Listing Date”) which represents a milestone in the development history of the Group. The successful listing further strengthened our corporate image and made our “LU DI” (綠滴) brand-name more recognized among our customers. All these contributed to our significantly improved results for the year. Meanwhile, we realized that being a listed company, we are obliged to meet higher standard of requirements from both the shareholders and the regulatory authorities. The Board and the management team fully understand the new challenges and opportunities ahead and are determined to make our best endeavor to maintain a high standard of corporate governance and to reward our shareholders with better operating results in the future.

In order to improve management efficiency and corporate governance standards, we implemented a series of measures within the Group immediately after the listing. These mainly include the following:—

- we completed and implemented a new set of operating procedures and policies covering the Group’s six major departments including Personnel, Administration, Accounting and Finance, Sales, Production, and Research and Development;
- we strengthened our human resources by recruiting more than 30 professional staffs in the area of administration, production, sales, technical service and finance;
- we implemented the incentive share option scheme for our employees and our management team; and
- we upgraded our head-office with new computer networking systems and other equipment.

By implementing the above measures, the Group is able to enhance the overall corporate governance and risk control capability, and making the operation more transparent and efficient.

2. Growing demand for organic fertilizer products

The year of 2004 saw the fastest growth of green food and organic food industry in the PRC. According to China Green Food Net (www.greenfood.org.cn), the number of product certifications of green food and organic food products in the PRC increased by 61% and 55% respectively in 2004 from previous year. These figures show a trend of increasing demand for healthy green food and organic food and thus the growing demand for organic fertilizer products. During the year, the Fujian Provincial Government announced a plan to invest RMB11.1 billion in order to facilitate the development of eco-friendly agriculture in Fujian province. We believe such plan further stimulated the demand for organic fertilizer products in Fujian province.

3. Expanded sales network and improved sales services

We conduct sales through both distributors and our sales team. During the year, sales made through distributors accounted for 57% of the total turnover and sales made directly by our sales team accounted for 43% of the total turnover. Under both ways of sales, we maintained our sales strategy of providing technical guidance to our major customers before and after the sales. Based on such strategy, we made improvements in two areas this year. Firstly, we expanded our sales network by increasing the number of distributors by 23%. Secondly, we established a number of technical service teams. Each team was equipped with a set of soil-nutrients-testing machine. Such machine is for hand-carry and able to provide on-site testing and diagnosis of soil nutrients for farmers. The examination results are used to determine the best formula of fertilizer applications for the plantation. The practice is well received by the customers as it provides a tailor-made service to meet the individual demand of major customers. Such practice enabled us to not only improve our relationship with existing customers but also develop new customers. Currently, our sales network covers over 80% of the plantation areas in Fujian province comparing to 60% in 2003. The total number of customer increased by 35% from last year.

It has been our primary principal to provide technical services to our customers before and after sales. We strive to continuously enhance our service qualities so as to further increase our creditability among our customers.

4. Production capacity doubled by new plant

During the year, we established a new organic fertilizer plant in Jianou, Fujian province with an area of 16,700 m² under our newly incorporated subsidiary “Century Sunshine (Nan Ping) Biology Engineering Co., Ltd”. The plant was put into operation in August 2004. Its annual production capacity is 30,000 tonnes of organic fertilizers, which makes our annual production capacity (excluding outsourcing processing capacity) increased from 25,000 tonnes to 55,000 tonnes. Before the new plant was put into operation, our production was at over 100% capacity. The new plant temporarily eased the pressure of over-capacity. Meanwhile, we upgraded our production facilities in Youxi plant so as to further improve its operation efficiency.

5. Success in research and development of new products – eucalypt trees fertilizers

During the year, we made a breakthrough in research and development of new products. Our newly developed humic acid organic fertilizer for eucalypt trees completed a field-experiment for a period of 12 months. The experiment was conducted by Fujian Forestry Scientific Research Institute (福建省林業科學研究院). In December 2004, the product passed the expert appraisal conducted jointly by the Technology Department of the State Forestry Bureau (國家林業局科技司), Fujian Forestry Bureau (福建省林業廳), Fujian Agriculture Bureau (福建省農業廳) and Fujian Agriculture and Forestry University (福建省農林大學). It was recognized by the experts that the product is the first of its kind in the PRC and has significant academic and practical impact in the field of forest plantation.

Our eucalypt trees fertilizer is mainly used for plantation of eucalypt trees. Eucalypt trees are primarily used for timber and paper production and are known for their fast growth and shorter logging cycle as compared to other species. Due to its high economic value, there has been a rapid growth in the plantation of eucalypt trees in the southern provinces of China in recent years. At present, the total plantation area of eucalypt trees in Fujian province, Guangdong province, Guangxi province, and Hainan province is estimated to be about 22 million mu (about 1.5 million hectares). Eucalypt trees consume large amount of soil fertilities during the growing cycle, thus require good fertilizers to sustain their growth. Our product not only meets such requirements but also protects the ecological environment by limiting the usage of chemical materials and provision of rich organic matters.

DIFFICULTIES AND CHALLENGES LYING AHEAD

Although we achieved satisfactory results for the year, we also realized that we are facing certain difficulties and challenges ahead.

1. Current capacity not enough to satisfy the rapidly increasing market demand

During the year, we had fully utilized our production capacity but were still unable to meet the growing demand in Fujian province. The total plantation area of crops in Fujian province is estimated to be about 38 million mu (about 2.5 million hectares). If we assume that all these plantations choose to use organic fertilizers at an annual consumption rate of 150 kilogram per mu, the total consumption will be about 5.7 million tonnes of organic fertilizers. Although it is unlikely that all the arable land in Fujian province would apply organic fertilizers, our current capacity of 55,000 tonnes is significantly small as compared to the potential demand. We need to expand our production capacity soon.

2. Shortage of talents in eco-technology and organic fertilizer industries

As eco-technology and organic fertilizers are relatively new in the PRC, there are not as many experienced professionals in these fields as in other industries. With the successful listing of the Group and the rapid development of our business, we urgently need to expand our professional team by both new recruitments and internal training.

PROSPECT

During the year, the average prices of agricultural products increased sharply across the country. It was also announced that the agricultural tax will be exempted in Fujian province and Jiangxi province starting from 2005. These favorable government policies will provide farmers with further incentives to grow crops. As such, we believe that the future prospects for organic fertilizer industry are promising.

In order to take advantage of the growing market opportunities, we are going to carry out the following plans:—

Firstly, we plan to build a new plant in Jiangxi province with a planned annual capacity of 100,000 tonnes of organic fertilizers and organic compound fertilizers. Upon completion, our total annual production capacity will increase by 1.8 times to 155,000 tonnes. The new plant is expected to start operation in May 2005.

Secondly, we plan to commence the production and distribution of our new eucalypt trees fertilizers. The new product will broaden our product lines from agricultural fertilizers to forestry fertilizers. It is expected that the new product will make significant contribution to the Group's profit next year.

Thirdly, we plan to extend our market coverage to Jiangxi, one of the major agricultural provinces in China. This will significantly enlarge our potential customer base thus contribute to future profit growth.

I wish to thank our shareholders for your kind support and all our staffs for your dedication over the year. With good prospects ahead, I am fully confident about our future. I will work together with my colleagues and try to bring better returns to the shareholders next year.

Chi Wen Fu

Chairman

Hong Kong, 22 March 2005

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004, together with the comparative figures for the corresponding period in 2003 as follows:

		Audited 2004	Audited 2003
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Turnover	2	93,921	55,468
Cost of sales		<u>(41,301)</u>	<u>(24,364)</u>
Gross profit		52,620	31,104
Other revenue	2	343	—
Distribution and selling expenses		(3,416)	(3,094)
General and administrative expenses		(7,247)	(4,348)
Research and development costs		<u>(6,125)</u>	<u>(2,125)</u>
Operating profit		36,175	21,537
Finance costs		<u>(136)</u>	<u>(343)</u>
Profit before taxation		36,039	21,194
Taxation	4	<u>—</u>	<u>(29)</u>
Profit after taxation		36,039	21,165
Minority interests		<u>46</u>	<u>202</u>
Profit attributable to shareholders		<u><u>36,085</u></u>	<u><u>21,367</u></u>
Dividends	5	<u><u>10,176</u></u>	<u><u>—</u></u>
Earnings per share			
– Basic	6	<u><u>RMB11.65 cents</u></u>	<u><u>RMB8.90 cents</u></u>
– Diluted	6	<u><u>RMB11.64 cents</u></u>	<u><u>N/A</u></u>

AUDITED CONSOLIDATED BALANCE SHEET
as at 31 December 2004

		Audited 2004	Audited 2003
	<i>Note</i>	<i>RMB '000</i>	<i>RMB '000</i>
Non-current assets			
Fixed assets		16,014	16,010
Investment deposit	8	2,000	—
Intangible assets		3,634	1,948
		<u>21,648</u>	<u>17,958</u>
Current assets			
Inventories		3,030	3,589
Trade receivables		12,019	9,673
Prepayments, deposits and other receivables		9,218	11,425
Cash and bank balances		70,474	4,655
		<u>94,741</u>	<u>29,342</u>
Current liabilities			
Short-term bank loans		—	(7,800)
Trade payables		(608)	(63)
Accruals and other payables		(4,069)	(1,769)
Taxation payable		(29)	(29)
		<u>(4,706)</u>	<u>(9,661)</u>
Net current assets		<u>90,035</u>	<u>19,681</u>
Total assets less current liabilities		<u>111,683</u>	<u>37,639</u>
Financed by:			
Share capital		33,920	1,802
Reserves	7	<u>77,760</u>	<u>31,666</u>
Shareholders' funds		111,680	33,468
Minority interests		3	905
Non-current liabilities			
Due to shareholders		<u>—</u>	<u>3,266</u>
		<u>111,683</u>	<u>37,639</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Group reorganisation and basis of presentation

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 reorganisation scheme (the “Reorganisation”) in preparation for a listing of the Company’s shares on the GEM of the Stock Exchange, on 30 January 2004, the Company became the holding company of the subsidiaries.

The Reorganisation has been accounted for using merger accounting by treating the Company and its subsidiaries as a continuing group, in accordance with Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). On this basis, the consolidated accounts as at and for the year ended 31 December 2004 have been prepared as if the structure of the Group resulting from the Reorganisation had been in existence throughout the year, 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 in October 2004, which has been accounted for using acquisition accounting. Comparative figures as at and for the year ended 31 December 2003 have been presented on the same basis.

2. Turnover and revenue

The Group is principally engaged in the manufacturing and trading of agricultural organic fertilizers. Revenues recognised during the year are as follows:

	2004 RMB '000	2003 RMB '000
Turnover – Sale of goods		
– Microbial compound fertilizers	43,745	23,557
– Organic tea fertilizers	24,300	17,390
– Organic compound fertilizers	21,440	12,344
– Premium organic fertilizers	4,436	2,177
	93,921	55,468
Other revenue		
– Interest income	343	–
	343	–
Total revenues	94,264	55,468

3. Segmental information

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

4. Taxation

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year.

(b) Mainland China enterprise income tax (“Mainland China EIT”)

Green Land Bio-Product Co., Ltd. and Century Sunshine (Nan Ping) Biology Engineering Co., Ltd. are wholly owned foreign enterprises engaged in the production of agricultural organic fertilizer with operating periods of more than ten years and are fully exempted from Mainland China EIT in accordance with the relevant income tax regulations of Mainland China. 三 明 市 世 紀 陽 光 農 業 科 技 開 發 有 限 公 司, Century Sunshine (Jiangxi) Ecological Technology Limited and 世 紀 陽 光 (福 建) 農 業 科 技 發 展 有 限 公 司 were loss-making during the year ended 31 December 2004.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from the Cayman Island income tax. The Company’s subsidiary established in the British Virgin Islands was incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

5. Dividends

The Board recommends a payment of final dividend of HK\$0.03 per share (2003: Nil) to the shareholders of the Company whose name appear in the register of members on 26 April 2005 and payable on or about 9 May 2005, making a total dividend of HK\$0.03 per share for the full year of 2004 (2003: nil).

6. Earnings per share

The calculation of the Group’s basic earnings per share is based on the consolidated profit attributable to shareholders of RMB36,085,000 (2003: RMB21,367,000), and on the weighted average of 309,698,630 (2003: 240,000,000) ordinary shares in issue during the year.

The calculation of the Group diluted earnings per share for the year ended 31 December 2004 is based on the consolidated profit attributable to shareholders of RMB36,085,000, and on the weighted average number of 309,698,630 ordinary shares in issue during the year plus the weighted average of 290,929 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

Diluted earnings per share for the year ended 31 December 2003 was not presented as the Company had no dilutive potential ordinary shares as at 31 December 2003.

7. Reserves

	Share Premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Share issuance costs RMB'000	Retained earnings RMB'000	Exchange reserves RMB'000	Total RMB'000
As at 1 January 2003	—	3,199	2,792	(636)	7,651	—	13,006
Profit for the year	—	—	—	—	21,367	—	21,367
Appropriation of retained earnings	—	—	1,645	—	(1,645)	—	—
Capitalisation of retained earnings of a subsidiary	—	5,500	—	—	(5,500)	—	—
Share issuance costs	—	—	—	(2,707)	—	—	(2,707)
As at 31 December 2003	—	8,699	4,437	(3,343)	21,873	—	31,666
Profit for the year	—	—	—	—	36,085	—	36,085
Appropriation of retained earnings	—	—	2,887	—	(2,887)	—	—
Share issuance costs	—	—	—	(7,808)	—	—	(7,808)
Issuance of shares	38,160	—	—	—	—	—	38,160
Capitalisation of share premium account	(23,638)	—	—	—	—	—	(23,638)
Share issuance costs credited against share premium upon issue of shares	(11,151)	—	—	11,151	—	—	—
Capitalisation of amounts due to shareholders	—	3,266	—	—	—	—	3,266
Exchange differences	—	—	—	—	—	29	29
As at 31 December 2004	<u>3,371</u>	<u>11,965</u>	<u>7,324</u>	<u>—</u>	<u>55,071</u>	<u>29</u>	<u>77,760</u>

Representing:

2004 Final dividend proposed	10,176
Others	<u>44,895</u>

Retained earnings as at 31 December 2004 55,071

8 Subsequent event

On 3 December 2004, the Group signed a letter of intent to acquire certain fixed assets and land use rights from an independent third party. The assets will be used as the Group's production facilities at Jiangxi, Mainland China. Pursuant to the letter of intent, a deposit of RMB2,000,000 was paid to the vendor, which was recorded as investment deposit as at 31 December 2004.

A formal agreement was entered into on 31 January 2005 to finalise the above transaction at a cash consideration of RMB21,500,000. The acquisition will be financed by listing proceeds of RMB7,000,000 and by internally generated funds. The transaction has not yet been completed as at the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

The Group's sale for the year significantly increased to RMB93,921,000, representing a growth of 69% when compared to the year of 2003. Turnover of microbial compound fertilizer, organic tea fertilizer, premium organic fertilizer and organic compound fertilizer recorded RMB43,745,000, RMB24,300,000, RMB4,436,000 and RMB21,440,000 respectively, representing an increase of 86%, 40%, 104% and 74% compared to the last year respectively. The increase in turnover were primarily contributed by the continued growth in demand for our products and the start of operation of our new factory in Jianou, Fujian province, the PRC. Of the Group's four kinds of fertilizer products, premium organic fertilizer recorded the highest growth rate for its wide application on different kinds of crops. Microbial compound fertilizer recorded the second highest growth rate. Microbial compound fertilizer was a high-quality fertilizer product which is suitable for plantation of premium and high quality organic crops. It could also be used together with other types of fertilizers to improve the soil fertility. In addition, we raised the prices of our premium organic fertilizer and one type of organic compound fertilizer by 21% and 15% respectively in October 2004. The price rise also contributed to profit growth this year.

In 2004, the total sales volume of organic fertilizer products amounted to approximately 52,400 tonnes. Our primary production facilities include the Youxi plant and Jianou plant, both in Fujian province. Most of our organic compound fertilizer products were outsourced to Laoyuan plant in Fujian province. The output volume of Youxi plant and Jianou plant were 28,000 tonnes and 9,600 tonnes respectively, representing about 54% and 18% of the total sales volume. The capacity utilization rates were about 112% and 77% for the Youxi plant and Jianou plant respectively. Jianou plant was put into operation in August 2004 with annual capacity of 30,000 tonnes of organic fertilizer products. The sales volume produced through Laoyuan plant was about 14,800 tonnes, representing about 28% of the total sales volume.

The Group's current production capacity of 55,000 tonnes of organic fertilizer cannot meet the market demand. It is our primary objective to expand the production capacity soon in order to meet the demand. In January 2005, the Group acquired the production facilities of a former fertilizer producer in Jiangxi province with the aim to expand them into a production facility with an annual capacity of 100,000 tonnes of organic fertilizer products. We expect the new facility to commence operation in May 2005. Upon completion, our total capacity will reach 155,000 tonnes.

Gross Profit

Gross profit of the Group for 2004 amounted to RMB52,620,000. Gross profit margin was about 56% which remains the same as that of last year.

Operating expenses

Total operating expenses amounted to RMB16,788,000, representing a significant increase of 75% from last year. Of the total operating expense, general and administrative expenses increased by 67% to RMB7,247,000, selling and marketing expenses increased by 10% to RMB3,416,000 and R&D cost increased by 188% to RMB6,125,000.

General and administrative expenses mainly included items such as salary, depreciation and amortization, audit fee and other administrative expenses. Salary and transportation cost accounted for 25% and 8% of the total general and administrative expenses respectively. Comparing to 2003, salary expense increased by 73% to RMB1,805,000 due to additional recruitment of general and administrative staff in Fujian province and Jiangxi province, the PRC and transportation cost increased by 2.5 times to RMB589,000 due to business growth.

Selling and distribution expenses mainly included advertising cost and salary for sales staff. Advertising cost and salary for sales staff accounted for 40% and 48% respectively of the total selling and distribution expenses. Comparing to 2003, advertising cost decreased by 25% to RMB1,374,000. Salary expense for sales staff increased by 108% to RMB1,653,000 due to recruitment of new sales staff with the objective of strengthening our sales force. During the year, sales made by our sales teams in terms of turnover increased to 43% from 30% in 2003.

During 2004, we put efforts on eight R&D projects, namely organic fertilizers for eucalypt trees, peanuts, Chinese herbs, chestnuts, grapes, humic acid for tobacco, organic pesticides and plant stimulants. Organic fertilizers for eucalypt trees, peanuts, Chinese herbs and humic acid for tobacco were completed and approved by the Fujian Agriculture Bureau (福建省農業廳). During the year, we conducted trial distribution of organic fertilizer for eucalypt trees and received positive results. We expect this new product to bring significant contribution to our revenue in 2005.

Profit attributable to shareholders

The Group's consolidated profit attributable to shareholders for the year ended 31 December 2004 was approximately RMB36,085,000, representing an increase of 69% from last year. The net profit margin was at 38.4%, remaining constant from last year.

LIQUIDITY, GEARING AND SOURCE OF FINANCE

As at 31 December 2004, cash and bank balances of the Group increased by RMB65,819,000 to RMB70,474,000 (2003: RMB4,655,000), balances of which are mostly denominated in Hong Kong dollars (RMB2,648,000) (2003: RMB986,000) and Reminbi (RMB67,826,000)(2003: RMB3,669,000). The cash and bank balances mainly comprised of the internal generated resources and the remaining listing proceed of approximately RMB20.8 million. As at 31 December 2004, the Group did not have any bank borrowings (2003: RMB7,800,000) and the net current assets was approximately RMB90,035,000 (2003: RMB19,681,000).

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

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

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

BOARD PRACTICES AND PROCEDURES AND CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had, throughout the year ended 31 December 2004, complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules which was in force prior to 1 January 2005.

The board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules were replaced by the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 15 of the GEM Listing Rules which has become effective for accounting period commencing on or after 1 January 2005. Appropriate actions are being taken by the Company to comply with the Code on CG Practices.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings 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

During the year, the audit committee of the Company (“the “Audit Committee”) held four meetings and performed duties including reviewing the Group’s annual report, half-yearly report, quarterly report and announcement. The Audit Committee is of the opinion that the financial statements of the Company and the Group for year ended 31 December 2004 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 April 2005 to Friday, 29 April 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 proposed final dividend for the year ended 31 December 2004 and for attending the annual general meeting of the Company to be held on Friday, 29 April 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, 25 April 2005.

By order of the Board
Shum Sai Chit
Director

Hong Kong, 22 March 2005

As at the date hereof, the executive directors of the Company are Mr. Chi Wen Fu, Mr. Shum Sai Chit and Mr. Zhou Xing Dun; the non-executive directors of the Company are Ms. Zou Li, Ms. Wong May Yuk and Mr. Wu Wen Jing, Benjamin and the independent non-executive directors of the Company are Mr. Shen Yi Min, Mr. Cheung Sound Poon and Mr. Kwong Ping Man.

This announcement will remain on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of its posting.