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 Cayman Islands with limited liability)*

**(Stock code: 8276)**

## DISCLOSEABLE TRANSACTION RELATING TO ACQUISITION OF ASSETS IN JIANGXI, THE PRC

The Directors wish to announce that Century Sunshine (Jiangxi), an indirect wholly-owned subsidiary of the Company (as the Purchaser), had entered into the Acquisition Agreement with Jiangxi Fertilizer Factory and Jiangxi Agricultural Production Materials Group (collectively as the Vendors) to acquire the Acquisition Assets for a cash consideration of RMB21,500,000 on 31 January 2005. Both Vendors are collectively-owned enterprises in the PRC. The Directors confirmed that, to the best of their knowledge, information and belief having make all reasonable enquiry, the Vendors are independent third parties not being connected persons of the Company (as defined in the GEM Listing Rules).

The Acquisition constitutes a discloseable transaction under the GEM Listing Rules. A circular containing detail of the Acquisition and other information will be sent to the shareholders of the Company as soon as practicable.

**The Acquisition Agreement**

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| Date: | 31 January 2005 |
| Purchaser: | Century Sunshine (Jiangxi) |
| Vendors: | Jiangxi Fertilizer Factory and Jiangxi Agricultural Production Materials Group |
| | The Directors confirmed that, to the best of their knowledge, information and belief having make all reasonable enquiry, the Vendors are independent third parties not being connected persons of the Company (as defined in the GEM Listing Rules). |

Acquisition Assets: Property

A parcel of land (the "Property") located at Jinxian Road, Minhe Township, Jinxian County, Jiangxi Province, the PRC (江西省進賢縣民和鎮進賢大道), with the land lot number 13-263 and a site area of approximately 35,713 square meters. The land has a land use rights of a term of 50 years expiring on 22 November 2048. The land use rights of the Property were owned by Jiangxi Agricultural Production Materials Group before the Acquisition.

Buildings

Two 1-storey production plants, one 4-storey office building and four 1-storey warehouse are erected on the above-mentioned land with a total gross floor area of approximately 14,789 square meters.

Public utilities

Public utilities mainly include, among other things, electricity facilities, water facilities, and gas facilities.

Machine and equipment

Machine and equipment mainly include, among other things, production facilities, equipment and office equipment.

The Acquisition Assets, excluding the Property, were owned by Jiangxi Fertilizer Factory before the Acquisition.

The Acquisition Assets are acquired by the Group for self-use purpose.

Consideration: Cash consideration of RMB21,500,000 is to be settled in three installments:

(i) RMB2,000,000 within 5 days after the signing of the Acquisition Agreement;

(ii) RMB14,500,000 to be paid within 60 days from the date of the Acquisition Agreement; and

(iii) remaining amount of RMB5,000,000 to be paid at the time when all the administrative procedures in relation to the transfer of the ownership titles of the Acquisition Assets have been completed. Such administrative procedures principally include the registration of the Acquisition with and subsequently obtaining the land use right certificates and building ownership certificates of the Acquisition Assets from the local government authorities.

Other terms: Liabilities

For avoidance of doubt, any debt and liability including, among other things, wage payable, trade payable, social securities and tax payable incurred before the date of the Acquisition Agreement do not form part of the Acquisition Assets, these liabilities should be settled by the Vendors. In the event that any action and/or litigation arising out of any such liability, the Vendors should be responsible.

The Vendors should be responsible for making sure that it has the entire ownership of the Acquisition Assets and none of the Acquisition Assets is subject to any mortgage and/or pledge. In the event that there is any action, litigation and/or claim against any of the Acquisition Assets, the Purchaser shall be indemnified and reimbursed by the Vendors upon demand all losses, expenses and fees including all legal fees howsoever arising in relation to such action, litigation and/or claims awarded against the Purchaser.

Staff hiring

The Purchaser has the absolute right in determining the staff hiring policy when the Acquisition Assets are put into operation under new management. The Purchaser agrees to give the previous employees of Jiangxi Fertilizer Factory the priority of considerations at the time of recruitment, provided that they possess the same level of qualifications and experiences as other potential candidates.

The Directors (including the independent non-executive Directors) confirm that the consideration of RMB21,500,000 of the Acquisition was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to the Valuation totalling an amount of approximately RMB21,500,000. According to estimated information provided by the Vendors, unaudited book value of the Acquisition Assets excluding the land use rights of the Property were approximately RMB16.9 million prior to the suspension of operation in August 2001 and the land uses right of the Property had not been recorded in the management accounts before the Acquisition. According to the Valuation, the value of the land use rights of the Property amounted to approximately RMB4.5 million, by using the basic land price modification valuation approach (基准地價系數修正法), which is made reference to the basic price of Class 3 industrial land pursuant to the Jinxian County Industrial Land Basic Price (Revision) Table (進賢縣縣城工業用地基準地價(更新)表) issued by the local governmental authority and market prices of similar land in the nearby areas in Jiangxi province, adjusted by other factors including the region, date and/or tenor of land use right, procedure on land exploitation, etc. to reflect the conditions applicable to the subject property.

The Directors made physical visit and inspection on the Acquisition Assets and were satisfied with the condition of the assets and accordingly, were agreed with the valuation amount being assessed by the Valuer. Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable and that the Acquisition Agreement are conduced under normal commercial terms, in the ordinary and usual course of its business and are in the interests of the shareholders of the Company as a whole.

**Background of the Vendors**

Jiangxi Fertilizer Factory is a collectively-owned enterprise in the PRC and was principally engaged in the manufacturing and sale of chemical compound fertilizer in Jiangxi province, the PRC. In August 2001, Jiangxi Fertilizer Factory suspended operation due to poor management and the Acquisition Assets have been left out of operation since then. According to the information provided by Jiangxi Fertilizer Factory, its annual production capacity before the suspension of operation was approximately 30,000 tonnes of chemical compound fertilizers. Based on the presentation of the management of Jiangxi Fertilizer Factory, it had generated a net loss for the financial year ended 31 December 2000. The Acquisition Assets were used by Jiangxi Fertilizer Factory for the production of chemical compound fertilizer products before its suspension of operation.

Jiangxi Agricultural Production Materials Group is a collectively-owned enterprise in the PRC and is principally engaged in the trading of agricultural production materials in Jiangxi province, the PRC. Based on the land use right certificate provided by the Vendors, Jiangxi Agricultural Production Materials Group owned the land use rights of the Property for a term of 50 years expiring on 22 November 2048.

**Reasons for the Acquisition**

The Group is principally engaged in the research and development, production and sale of microbial compound fertilizer, organic fertilizer and organic compound fertilizer products in the PRC.

As set out in the Company's announcement for the 2004 unaudited third quarter results, unaudited turnover and profit attributable to shareholders of the Group for the nine months ended 30 September 2004 amounted to RMB62,720,000 and RMB22,829,000 respectively, representing an increase of 87% and 85% respectively from the same period last year. The significant increase in turnover was primarily attributable to the continued rise in demand for the Group's products. The Directors are of the view that the PRC market for organic fertilizer products is strong and that demand for the Group's product is expected to increase in the future. In order to meet such market demand, the Group needs to expand its production facilities.

The Directors (including the independent non-executive Directors) believe the Acquisition is in the interest of the Company and its shareholders as a whole for the following reasons:

– Jiangxi province is one of the largest farming bases in the PRC for growing organic teas and other agricultural products and is therefore one of the primary markets targeted by the Group for its organic fertilizer products. As stated in the Group's 2003 annual report and the Company's prospectus dated 5 February 2004 ("Prospectus"), the Group had planned to build production facilities in Jiangxi province so as to capture local market shares. Details of such plans are described below.

- the Acquisition Assets were used by Jiangxi Fertilizer Factory for the production of chemical compound fertilizer products. Although the production technologies of chemical compound fertilizer products are different from those of the Group's organic fertilizer products, the Directors are of the view that part of the production facilities of Jiangxi Fertilizer Factory, especially the lands and plant and machinery could be converted and used by the Group for the production of organic fertilizer products. The Group plans to make relevant modifications to the Acquisition Assets and install new production equipment before turning it into a production facility with an annual production capacity of approximately 100,000 tonnes of organic fertilizer products. This allows the Group to save both time and money when comparing to building a new facility from scratch. The Group expects the new facility could commence operation in April 2005.

- the parcel of land (land lot No. 13-263) with a site area of approximately 35,713 square meters together with the production plant and office with a gross area of approximately 14,789 square meters would provide sufficient space for the Group's future expansion. The ownership of the land use rights of the Property will be transferred to the Group upon completion of the Acquisition.

As stated in the Prospectus, the Group planned to apply, out of the listing proceeds, approximately HK$7 million each for the constructions of two new production facilities in Anxi, Fujian province during the second half of 2004 to first half of 2005, and Wuyuan, Jiangxi province in the second half of 2005, respectively, each with a production capacity of 20,000 tonnes of organic fertilizers. In view of the rapid increase in demand for the Group's products, the Directors believe that the previous plans of production expansion are too conservative and may not be sufficient to satisfy market demands. As such, the Group plans to increase the production capacity of its next production facility to 100,000 tonnes of organic fertilizer products. Having regard the additional work be made on the modification and new equipment installation, the Directors still believe the Acquisition provides an unique opportunity for the Group to expand its production capacity quickly and efficiently as compared with building a new facility from scratch. The production capacity of 100,000 tonnes is about 2.5 times the total capacities of the two new production facilities initially planned to be built in Anxi and Wuyuan. The Directors believe that the significantly increased production capacity of the new facility will be sufficient to meet the present demand from customers in both Fujian province and Jiangxi province. As the result, the Group plans to postpone the building of the new facility in Anxi, Fujian province to 2006. Save as disclosed, there is no change in the implementation of the business plans as set out in the Prospectus.

The Group will finance the Acquisition through two types of resources: (i) as to RMB 7,000,000 from the listing proceeds; and (ii) as to RMB 14,500,000 from its internal cash resources which were principally generated from its business operation. Save as disclosed above, the implementation of the business plans of the Company and the application of listing proceeds as set out in the Prospectus will not be affected. The Directors confirm that taking into account payment for the consideration of the Acquisition, the Group will have sufficient working capital for the operation of its business.

**General**

The Acquisition constitutes a discloseable transaction under the GEM Listing Rules and, as such, a circular will be despatched to the Company's shareholders as soon as practicable pursuant to the requirement under the GEM Listing Rules.

**Definitions**

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

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| "Acquisition" | the acquisition of the Acquisition Assets by the Purchaser from the Vendors pursuant to the Acquisition Agreement |
| "Acquisition Agreement" | the agreement entered into between the Purchaser and the Vendors on 31 January 2005 in relation to the Acquisition |
| "Acquisition Assets" | land, buildings, machine and equipments to be acquired by the Purchaser from the Vendors, details of which are set out in the Acquisition Agreement |
| "Board" | the board of Directors |
| "Century Sunshine (Jiangxi)" or "Purchaser" | Century Sunshine (Jiangxi) Ecological Technology Limited, a company incorporated in the PRC on 19 February 2004 and an indirect wholly-owned subsidiary of the Company, is principally engaged in research and development, production and sale of organic fertilizer products in Jianxi province, the PRC. |
| "Company" | Century Sunshine Ecological Technology Holdings Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange |
| "Director(s)" | the director(s) of the Company |
| "Group" | the Company and its subsidiaries |
| "GEM" | the Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | The Rules Governing the Listing of Securities on GEM |
| "Jiangxi Fertilizer Factory" | 江西鴻農複合肥廠(Jiangxi Hong Nong Chemical Compound Fertilizer Factory), a collectively-owned enterprise in the PRC |
| "Jiangxi Agricultural Production Materials Group" | 江西農業生產資料集團公司(Jiangxi Agricultural Production Materials Group Company), a collectively-owned enterprise in the PRC |
| "Shares" | shares of nominal value HK$0.10 each in the share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Valuation" | the valuation on the Acquisition Assets as at 31 October 2004 prepared by the Valuer |

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| "Valuer" | 江西泰豪會計師事務所(Jianxi Taihao CPA Firm), a company incorporated in the PRC with limited liability and an independent third party not being connected person of the Company (as defined in the GEM Listing Rules), being a Certified Public Valuer of the PRC which is licensed by 江西財政廳(the Finance Bureau of Jiangxi) and 中華人民共和國財政部(the Ministry of Finance of the PRC) to carry out business and property valuation in the PRC |
| "Vendors" | Jiangxi Fertilizer Factory and Jiangxi Agricultural Production Materials Group |

By order of the Board
**Shum Sai Chit**
*Director*

Hong Kong, 31 January 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 are Ms. Zou Li, Ms. Wong May Yuk and Mr. Wu Wen Jing, Benjamin and the independent non-executive Directors are Mr. Shen Yi Min, Mr. Cheung Sound Poon and Mr. Kwong Ping Man.*

*This announcement for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm 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.*

*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.*