世紀陽光集團控股有限公司
CENTURY SUNSHINE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 509)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board" or the "Director(s)") of Century Sunshine Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2013 together with comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	**2013 (unaudited) *HK$'000***	2012 (unaudited) *HK$'000*
Revenue	*4*	**714,345**	546,192
Cost of sales		**(498,606)**	(398,301)
Gross profit		**215,739**	147,891
Other income and gains		**7,120**	10,425
Selling and marketing costs		**(29,526)**	(26,627)
Administrative expenses		**(27,828)**	(39,077)
Realised and unrealised loss on investments held for trading		**(1,523)**	(293)
Finance costs	*6*	**(11,882)**	(10,222)
Profit before income tax		**152,100**	82,097
Income tax expense	*7*	**(45,176)**	(23,365)
Profit for the period	*8*	**106,924**	58,732
Profit for the period attributable to:			
Owners of the Company		**86,914**	45,785
Non-controlling interests		**20,010**	12,947
		106,924	58,732
Earnings per share:			
– basic	*9*	**3.41cents**	1.78cents
– diluted	*9*	**3.31cents**	1.78cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit for the period	**106,924**	58,732
Other comprehensive income (net of income tax):		
Available-for-sale investments:		
Net gain arising on revaluation of available-for-sale-investment during the period	**86,880**	–
Exchange differences arising from translation of foreign operations	**28,134**	1,160
Other comprehensive income for the period (net of income tax)	**115,014**	1,160
Total comprehensive income for the period	**221,938**	59,892
Total comprehensive income attributable to:		
Owners of the Company	**178,725**	46,840
Non-controlling interests	**43,213**	13,052
	221,938	59,892

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 (unaudited) HK$'000	As at 31 December 2012 (audited) HK$'000
Non-current assets			
Land use rights		**147,805**	147,089
Property, plant and equipment	*11*	**678,382**	619,040
Investment properties		**140,283**	140,108
Intangible assets		**80**	80
Mining rights		**575,836**	571,859
Available-for-sale investment		**210,466**	123,586
		1,752,852	1,601,762
Current assets			
Inventories		**142,475**	69,981
Land use rights		**3,440**	3,385
Trade and other receivables, prepayments and deposits	*12*	**335,811**	173,175
Investments held for trading		**10,536**	11,941
Deposits with banks		**129,070**	112,043
Cash and cash equivalents		**314,589**	391,151
		935,921	761,676
Less: Current liabilities			
Trade and other payables	*13*	**192,403**	130,113
Income tax payable		**28,399**	15,988
Borrowings		**321,557**	317,102
		542,359	463,203
Net current assets		**393,562**	298,473
Total assets less current liabilities		**2,146,414**	1,900,235
Less: Non-current liabilities			
Deferred tax liabilities		**131,549**	130,721
		131,549	130,721
Net assets		**2,014,865**	1,769,514

	As at 30 June 2013 (unaudited) *HK$'000*	As at 31 December 2012 (audited) *HK$'000*
Capital and reserves attributable to owners of the Company		
Share capital	**61,550**	60,683
Reserves	**1,751,820**	1,568,569
	1,813,370	1,629,252
Non-controlling interests	**201,495**	140,262
Total equity	**2,014,865**	1,769,514

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION

Century Sunshine Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in fertiliser business, magnesium product business and metallurgical flux business. During the year ended 31 December 2012, the Group disposed its financial service business.

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. On 17 February 2004, the Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company's shares have been listed on the Main Board of the Stock Exchange since 1 August 2008.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 were approved for issue by the Board on 29 August 2013.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2011, which has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2012.

(a) Application of new and revised HKFRSs

The following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the annual period beginning 1 January 2013. A summary of the new HKFRSs are set out as below:

Amendments to HKFRSs	Annual improvements 2009-2011 Cycle
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
HKFRS 1 (Amendments)	Government Loan
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

The directors anticipate that the application of these new HKFRSs will not have material impact on the unaudited condensed consolidated interim financial statements of the Group.

(b) Standards and amendments in issue but not yet effective

The following new HKFRSs have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[1]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 9	Financial Instruments[2]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for the classification and measurement of financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

For other new HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

4. REVENUE

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Sales of magnesium products	**226,440**	149,339
Sales of fertilisers products	**458,299**	358,100
Sales of metallurgical flux products	**29,606**	30,951
Provision of financial services	**–**	7,802
	714,345	546,192

5. SEGMENT INFORMATION

Information reported to the Company's Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

- Magnesium product business
- Fertiliser business
- Metallurgical flux business
- Financial service business

The Group disposed its financial services business on 29 November 2012.

Information regarding the Group's reportable segments is presented below.

(a) Segment revenue and results

Six months ended 30 June 2013

	Magnesium product business (unaudited) *HK$'000*	**Fertiliser business (unaudited)** *HK$'000*	**Metallurgical flux business (unaudited)** *HK$'000*	**Total (unaudited)** *HK$'000*
Segment revenue	**226,440**	**458,299**	**34,489**	**719,228**
Inter-segment revenue	**–**	**–**	**(4,883)**	**(4,883)**
Revenue from external customers	**226,440**	**458,299**	**29,606**	**714,345**
Segment results	**74,264**	**107,132**	**4,817**	**186,213**
Other income and gains				**7,120**
Central administrative costs				**(29,351)**
Finance costs				**(11,882)**
Profit before income tax				**152,100**

Six months ended 30 June 2012

	Magnesium product business (unaudited) *HK$'000*	Fertiliser business (unaudited) *HK$'000*	Metallurgical flux business (unaudited) *HK$'000*	Financial service business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Segment revenue	149,339	358,100	31,931	7,806	547,176
Inter-segment revenue	–	–	(980)	(4)	(984)
Revenue from external customers	149,339	358,100	30,951	7,802	546,192
Segment results	46,532	59,018	7,913	(4,830)	108,633
Other income and gains					10,425
Central administrative costs					(26,739)
Finance costs					(10,222)
Profit before income tax					82,097

Segment revenue reported above represents revenue generated from external customers. Inter-segment revenue has been eliminated in during the periods. Inter-segment transactions are entered into at arm's length.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the results from each segment without allocation of central administrative costs including directors' remuneration, other income and gains, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets

	As at 30 June 2013 (unaudited) ***HK$'000***	As at 31 December 2012 (audited) *HK$'000*
Magnesium product business	**871,893**	560,685
Fertiliser business	**570,058**	315,262
Metallurgical flux business	**711,897**	680,719
Total segment	**2,153,848**	1,556,666
Unallocated	**534,925**	806,772
Total assets	**2,688,773**	2,363,438

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**11,882**	10,222

7. INCOME TAX EXPENSE

The amount of income tax expense charged/(credited) to the unaudited condensed consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong Profits Tax	**–**	–
– PRC Enterprises Income Tax	**46,488**	24,016
Deferred taxation	**(1,312)**	(651)
	45,176	23,365

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Depreciation and amortisation	**37,353**	25,336

9. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**86,914**	45,785
Weighted average number of ordinary shares in issue *('000)*	**2,548,436**	2,578,903
Basic earnings per share *(HK cents per share)*	**3.41cents**	1.78cents

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options' a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June 2013 (unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**86,914**
Weighted average number of ordinary shares in issue *(thousands share)*	**2,548,436**
Adjustment for share options *(thousands share)*	**77,489**
Weighted average number of ordinary shares for diluted earnings per share *(thousands share)*	**2,625,925**
Diluted earnings per share *(HK cents per share)*	**3.31cents**

During the six months ended 30 June 2012, the Company's outstanding share options were not included in the calculation of diluted earnings per share because the effects of the Company's outstanding share options were anti-dilutive.

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the six months ended 30 June 2013 (2012: HK$Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had acquired property, plant and equipment amounting approximately to HK$76,442,000 (2012: HK$200,946,000).

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of HK$25,000 for cash proceeds of HK$118,000, resulting in a gain on disposal of HK$93,000 (2012: There was no disposal of property, plant and equipment by the Group).

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
	HK$'000	*HK$'000*
Trade receivables	**223,001**	91,534
Bills receivable	**23,067**	41,460
Prepayments and deposits	**75,247**	22,795
Other receivables	**13,239**	16,224
Deposits placed with financial institutions	**1,257**	1,162
	335,811	173,175

As at the reporting date, the ageing analysis of the trade receivables of the Group presented based on the invoice date was as follows:

	As at 30 June 2013 (unaudited)	As at 31 December 2012 (audited)
	HK$'000	*HK$'000*
Within 30 days	**144,046**	74,776
31 to 60 days	**57,893**	12,278
61 to 90 days	**15,891**	2,283
Over 90 days	**5,171**	2,197
	223,001	91,534

The Group allows a credit period normally up to 180 days (2012: up to 180 days) to its trade customers.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2013 (unaudited) *HK$'000*	As at 31 December 2012 (audited) *HK$'000*
Trade payables	**87,085**	13,213
Bills payable	**30,346**	–
Receipts in advance	**9,165**	50,942
Accruals and other payables	**65,807**	65,958
	192,403	130,113

As at the reporting date, the ageing analysis of trade payables of the Group presented based on the invoice date was as follows:

	As at 30 June 2013 (unaudited) *HK$'000*	As at 31 December 2012 (audited) *HK$'000*
Within 30 days	**64,947**	10,115
31 to 60 days	**17,991**	1,894
61 to 90 days	**2,446**	11
Over 90 days	**1,701**	1,193
	87,085	13,213

14. ACQUISITION OF ADDITIONAL EQUITY INTEREST OF A SUBSIDIARY

During the six months ended 30 June 2013, the Group, through a wholly owned subsidiary: Capital Idea Limited, acquired 24% equity interest in aggregate in China Rare Earth Magnesium Technology Holdings Limited (Formerly known as China Magnesium Limited) ("China Rare Earth Magnesium Technology") from the non-controlling interests of China Rare Earth Magnesium Technology at total cash consideration of approximately HK$35,327,000. The Group recognised a decrease in non-controlling interests of HK$46,260,000 and increase in other reserve of approximately HK$10,972,000 respectively.

Besides, China Rare Earth Magnesium Technology has issued new shares of an aggregate approximately 3% of the enlarged number of issued shares on 30 June 2013 in order to recruit new technological and strategic investors. The Group recognised an increase in non-controlling interests of HK$64,280,000 and decrease in other reserve of approximately HK$7,382,000 respectively.

During the six months ended 30 June 2012, the Group, through a 75% indirectly owned subsidiary, acquired additional 9.91% (effectively 7.43%) equity interest in Partners Capital Securities Limited ("Partners Capital") from the non-controlling interests of Partners Capital at a cash consideration of approximately HK$2,000,000. The Group recognised a decrease in non-controlling interests and other reserve of approximately HK$1,745,000 and HK$254,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is in an excellent momentum in building its rapid business development during the six months ended 30 June 2013. Overall revenue of the Group increased significantly to approximately HK$714,345,000 (2012: HK$546,192,000), representing an increase of approximately 30.8%. During the Period, the Group has further optimised its product structure and improved production technology, overall gross profit increased by 3.1 percentage points, reaching 30.2% as of six months ended 30 June 2013. Profit attributable to owners of the Company for the period amounted to HK$86,914,000, gained by approximately 89.8%.

The two principal businesses of the Group, magnesium product business and fertiliser business, recorded an outstanding performance during the Period. Again, it demonstrated a strong growth in revenue. The magnesium product business amounted to HK$226,440,000 during the Period, accounted for 31.7% of the total revenue, representing an increase of 51.6% compared to the same period of 2012. The fertiliser business amounted to HK$458,299,000 during the Period, accounted for 64.2% of the overall revenue, representing an increase of 28.0% compared to the same period of 2012.

MAGNESIUM PRODUCT BUSINESS

Century Sunshine is primarily engaged in R&D and sales of high performance magnesium products. The Group's magnesium product business is comprised of two main product categories namely basic magnesium products and rare earth magnesium alloys. During the Period, revenue from the basic magnesium products amounted to HK$71,428,000, accounted for 31.5% of the segment. Revenue from the rare earth magnesium alloys amounted to HK$145,598,000, accounted for 64.3% of the segment. The Group dedicated its efforts in promoting high-performance magnesium alloys by increasing sales volume of the rare earth magnesium alloys. They are now the principal driving force for the growth of the magnesium product business, which drove the average profit margin from 31.7% to 32.3%, increased 0.6 percentage point in the first six months ended 30 June 2013.

Magnesium alloy has gained more attention in recent years. Its applications have been expanded broadly from aerospace to consumer electronics such as laptops, PDAs, mobile phones as well as daily necessities. As the market demand for high-end magnesium alloys is growing, the Group has well-positioned itself as a major producer of rare earth magnesium alloys to meet the market needs. During the Period, the rare earth magnesium alloy segment accounted for 50.2% of the Group's business operations, increased significantly by 126.5% comparing to the same period of 2012. The increase truly reflected its recognition from the market. Going forward, the Group will continue to enhance its development of high quality products with high profit margins.

Century Sunshine is one of the few integrated enterprises with an annual capacity of 16,000 tonnes in the China magnesium industry. The Group owns a high grade, abundant reserve of magnesium raw material which forms an integrated supply chain from upstream supply to downstream production. To further strengthen the Group's R&D for magnesium alloys in new materials sector, China Rare Earth Magnesium Technology Holdings Limited (formerly known as China Magnesium Limited), a subsidiary of the Group, entered into the strategic investment agreement with Chang Chun Institute of Applied Chemistry, Chinese Academy of Sciences ("CAS Applied Chemistry") on 30 June 2013. CAS Applied Chemistry is one of the most authoritative national institutions engaged in research of rare earth magnesium alloys in China. It has high reputation and influential presence domestically and internationally. By leveraging the strategic cooperation with CAS Applied Chemistry, the Group exposes to a broader context in terms of developing and capitalising its advantages over resources and technologies in this segment. It sets a solid foundation and diversification for high-end magnesium alloys development with distinctive quality for the Group in the future.

FERTILISER BUSINESS

Fertiliser business is made up of compound fertilisers and organic fertilisers. During the Period, revenue from the compound fertilisers increased by 24.1% to HK$343,052,000 compared to the same period of 2012, accounting for 74.9% of the segment. Revenue from the organic fertilisers increased by 49.8% to HK$113,953,000 compared to the same period of 2012, accounting for 24.9% of the segment. The Group differentiates itself from bulk producers as a developer of niche fertilisers by focusing R&D on "soil testing, tailor-made formulas and balanced fertilisation" (測土配方，平衡施肥). Anticipating the current arable land situation in China, the Group launched silicon magnesium fertiliser (Si-Mg fertiliser) to recover deficiency of silicon and magnesium in soil. It has been well-received by the market after a comprehensive marketing campaign. Furthermore, serpentine mine of the Group in Jiangsu Province has secured its material supply for Si-Mg fertiliser in a cost effective way. Average gross profit margin improved 6.2 percentage points. During the Period, the Group tried its best endeavours to reduce production costs by upgrading technology, enhancing innovation capability, improving formula of organic fertilisers and recycling waste products from production. Gross profit margin of the organic fertiliser segment increased from 34.7% in the same period last year to 37.9%.

Nowadays, organic produce is increasing its popularity around the world. International demand for Chinese organic products is also increasing on a year-on-year basis. Organic rice, vegetables, tea, grains as well as camellia oil, walnut oil, honey and other processed products from China are over demand in the international market. Therefore, it has created tremendous opportunities for the Group to expand its organic fertiliser segment. On the other hand, standard of living in China has gradually been improved. China citizens are paying more attention on food safety. Farmers are aware of the importance of sustainable development and scientific fertilisation. To cope with the competitive yet evolving market, the Group has adopted product diversification as one of their key development strategies.

The Chinese Government issued a memorandum on how to accelerate modern agriculture and keep its momentum on development《關於加快發展現代農業進一步增強農村發展活力的若干意見》in the beginning of 2013. It reinstated the importance of stabilising development of agriculture, upgrading equipment and technology, creating new operating system to drive market development. In order to expand its market share, the Group will continue building its expansion plan, strengthening technological advance and product innovation as well as developing new targeted formulas to meet nutritional needs of soil. In the meanwhile, the Group has already commenced the first phrase of 300,000 tonnes expansion for the fertiliser business. The second phrase of 400,000 tonnes development is under review. By 2016, the total annual capacity of the fertiliser business will have a breakthrough exceeding 1 million tonnes.

OTHER BUSINESS

Metallurgical flux business is the Group's secondary business. The high quality reserve from the serpentine mine is not only the key raw material for Si-Mg fertilisers, but it is also the indispensable auxiliary material for iron and steel smelting. The metallurgical flux business has preserved its stable distribution channels and customer base, thereby representing another revenue stream for the Group. During the Period, revenue from the metallurgical flux business amounted to HK$29,606,000, representing 4.1% of the total revenue, with a gross profit margin at 73.1%.

The Group is a shareholder of a company that is engaged in E-commerce business. The shares of the company were successfully listed on the Australian Securities Exchange on 27 November 2012. Based on its market value on the consideration determination date on 30 June 2013, the Group holds approximately AUD$29,341,000 (approximately HK$210,466,000) at the market value.

OUTLOOK

The Group is one of the few integrated enterprises with a strong focus on R&D for state-of-the-art technology and secured upstream resources in its industries. To maintain its leading position, the Group strongly believes that product creativity and low costs would be its core values. The Group will further accelerate its technological cooperation with authoritative research institutions for the magnesium product business. Through utilising its competitive edge in upstream resources and ability to develop products with superb quality, they provide fundamentals and flexibility for the Group's future growth. Since knowledge of agricultural science has been enriched among the public, the Group will keep focusing on principles of scientific fertilisation to broaden its market share by meeting needs of its target market. The Group's ultimate goal is to maximise shareholders' return on investment by capitalising its new product development strategy and comprehensive expansion plan.

KEY OPERATIONAL DATA

Unaudited key operational data for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012, is as follows. Main businesses listed below contributed over 95% of the Group's total revenue for the six-month period ended 30 June 2013.

(a) Sales volume of major products:

	Six months ended 30 June		Increase/
	2013	2012	**(Decrease)**
	Tonnes	*Tonnes*	**%**
Magnesium product business			
Basic magnesium products	**3,522**	4,223	**(16.6)**
Rare earth magnesium alloys	**3,555**	1,569	**126.5**
Fertiliser business			
Compound fertilisers	**130,606**	98,532	**32.6**
Organic fertilisers	**56,059**	35,873	**56.3**

(b) Average selling prices of major products:

	Six months ended 30 June		Increase/
	2013	2012	**(Decrease)**
	HK$	*HK$*	**%**
Magnesium product business			
Basic magnesium products	**20,283**	21,464	**(5.5)**
Rare earth magnesium alloys	**40,961**	37,409	**9.5**
Fertiliser business			
Compound fertilisers	**2,627**	2,806	**(6.4)**
Organic fertilisers	**2,033**	2,121	**(4.1)**

(c) Gross profit margins of major products:

	Six months ended 30 June		Increase/
	2013	2012	**(Decrease)**
	%	*%*	***Basic points***
Magnesium product business			
Basic magnesium products	**19.2**	25.6	**(6.4)**
Rare earth magnesium alloys	**38.7**	41.2	**(2.5)**
Fertiliser business			
Compound fertilisers	**22.0**	15.7	**6.3**
Organic fertilisers	**37.9**	34.7	**3.2**
The Group's gross profit margin	**30.2**	27.1	**3.1**

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2013, the Group's revenue surged to approximately HK$714,345,000 (2012: approximately HK$546,192,000), representing an increase of approximately 30.8%. This is mainly due to market growth and development of sales channels, thereby significantly increased the sales volume for rare earth magnesium products and fertilisers by approximately 126.5% and 38.9% respectively.

Cost of Sales

For the six months ended 30 June 2013, cost of sales was approximately HK$498,606,000 (2012: approximately HK$398,301,000), increased by approximately 25.2%. Among which, approximately 30.3%, 68.1% and 1.6% are attributable to magnesium product business, fertiliser business and metallurgical flux business respectively (2012: approximately 25.6%, 72.8% and 1.6%). Cost of sales mainly comprised of material cost and utilities cost, accounting to approximately 84.7% (2012: approximately 86.5%) of total cost of sales.

Gross Profit

For the six months ended 30 June 2013, the Group's consolidated gross profit was approximately HK$215,739,000 (2012: approximately HK$147,891,000), surged by approximately 45.9%. The consolidated gross profit margin rose from approximately 27.1% to approximately 30.2%. This is mainly due to the change and improvement in product mix, increasing sale of high profit margin rare earth magnesium alloys and the Si-Mg fertilisers, thereby enhancing the Group's overall gross profit ratio.

Selling and Marketing Costs

For the six months ended 30 June 2013, selling and marketing costs were approximately HK$29,526,000 (2012: approximately HK$26,627,000), which mainly comprised of transportation costs of approximately 66.2% and salaries and commission of approximately 24.1% (2012: approximately 69.7% and 23.2% respectively). Selling and marketing cost accounted for approximately 4.1% (2012: approximately 4.9%) of total revenue.

Administrative Expenses

For the six months ended 30 June 2013, administrative expenses was approximately HK$27,828,000, which mainly comprised of staff costs, depreciation and amortisation expenses, legal and professional fees and occupancy costs, accounting for approximately 37.5%, 26.9%, 5.3% and 3.4% (2012: approximately 41.2%, 13.1%, 4.6% and 7.4%) respectively of the total administrative expenses for the period. Administrative expenses accounted for approximately 3.9% (2012: approximately 7.2%) of total revenue. Decrease was mainly due to the disposal of the financial services business in November 2012, therefore no relevant related cost was incurred during the period.

Other Income and Gains

For the six months ended 30 June 2013, other income and gains amounted to approximately HK$7,120,000, mainly comprised of interest income and rental income amounting to approximately HK$3,950,000 and HK$2,556,000 (2012: approximately HK$6,057,000 and HK$2,125,000) respectively.

Margin

Profit for the period amounted to approximately HK$106,924,000 (2012: HK$58,732,000), leaped by approximately 82.1%. Profit for the period attributable to owners of the Company amounted to approximately HK$86,914,000, increased by approximately 89.8%.

Liquidity, Liabilities and Financial Resources

The Group's liquidity was mainly derived from cash generated from business operations. As at 30 June 2013, total amount of cash and bank balances of the Group was approximately HK$443,659,000 (As at 31 December 2012: approximately HK$503,194,000).

As at 30 June 2013, the Group's total borrowings and net current assets increased by approximately 1.4% and 31.9% when comparing to that at 31 December 2012. The Group's gearing ratio (calculated by total borrowings over total equity) was approximately 16.0% (As at 31 December 2012: approximately 17.9%).

The Group's existing cash resources together with the steady cash flows generated from business activities are sufficient to meet its business needs. Net cash generated from operating activities for the period amounted to approximately HK$44,759,000.

Exchange Rate Risk Management

The Group mainly operates in the People's Republic of China (the "PRC") and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$, Renminbi and Australian dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group's management does not expect the net foreign currency risk from these activities to be significant and hence, the Group does not presently hedge the foreign exchange risks. The Group periodically reviews liquid assets and liabilities held in currencies other than HK$ to evaluate its foreign exchange risk exposure and consider the usage of hedging instruments when necessary.

Pledge of Assets

As at 30 June 2013, the Group had pledged its property, plant and equipment, land use rights, investment properties and deposits with bank with carrying amount of approximately HK$96,448,000, HK$146,567,000, HK$140,283,000 and HK$111,267,000 respectively to secure bank borrowings. (As at 31 December 2012: approximately HK$168,414,000, HK$145,806,000, HK$140,108,000 and HK$109,454,000 respectively).

Significant Transactions

During the six months ended 30 June 2013, the Group, through a wholly owned subsidiary: Capital Idea Limited, acquired 24% equity interest in aggregate in China Rare Earth Magnesium Technology Holdings Limited (Formerly known as China Magnesium Limited) ("China Rare Earth Magnesium Technology") from the non-controlling interests of China Rare Earth Magnesium Technology at total cash consideration of approximately HK$35,327,000. Besides, China Rare Earth Magnesium Technology has enlarged its share capital as at 30 June 2013 in order to introduce new technological and strategic investors.

Contingent Liabilities

As at 30 June 2013 and 31 December 2012, the Group did not have any significant contingent liabilities.

Capital Structure

As at 30 June 2013, the issued share capital of the Company were HK$51,754,317, divided into 2,587,715,868 Shares of HK$0.02 each. (As at 31 December 2012, the issued share capital of the Company were HK$50,886,867, divided into 2,544,343,333 Shares of HK$0.02 each.)

Human Resources

The number of employees of the Group was approximately 1,230 as at 30 June 2013 (As at 31 December 2012: 910). The remuneration of employees was determined by the Group with reference to their performance, work experience and current market conditions. Employee benefits include medical insurance, defined provident fund scheme, discretionary bonus and employee share option scheme. There has been no labour dispute or significant change in the number of employees that affect the normal operations of the Group. The Directors believe that the Group maintains admirable relations with its employees.

PROJECT OVERVIEW

Dolomite mine

For the six months ended 30 June 2013, the Group completed a dolomite output of 134,023 tonnes (2012: 67,515 tonnes). As compared with the state as at 31 December 2012, there was no material change in the resource estimate and ore reserve of the dolomite mine.

The expenditure incurred in mining of dolomite for the six months ended 30 June 2013 were approximately HK$8,906,000 (2012: development and mining of approximately HK$3,059,000).

Serpentine mine

For the six months ended 30 June 2013, the Group completed a dolomite output of 237,207 tonnes (2012: 268,111 tonnes). As compared with the state as at 31 December 2012, there was no material change in the resource estimate and ore reserve of the dolomite mine.

The expenditure incurred in mining of dolomite for the six months ended 30 June 2013 were approximately HK$5,818,000 (2012: approximately HK$7,275,000).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CODE OF CORPORATE GOVERNANCE PRACTICES

Throughout the period under review, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 to the Listing Rules, with the following deviations:

(a) Under the code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Chi Wen Fu, the founder of the Group, currently holds a dual role as the Chairman and the CEO. The Board is of the view that it is for the best interests of the Group to adopt a single leadership structure, as Mr. Chi possesses extensive experience and knowledge in the PRC market and he is playing a significant role in establishing the strategic decisions and overall management of the Group. This structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board considers that there is no suitable professional or expertise in the market to fill the position of CEO at this stage. In light of the single leadership structure, sufficient safeguards are established to ensure that the management is accountable to the Board as a whole. The Chairman/CEO ensures that Board meetings are held regularly and when necessary. The Chairman/CEO ensures that Board members are provided with complete, adequate, accurate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. The Chairman/CEO ensures that all Directors have unrestricted access to the document or information kept by the Group and professional advice when necessary.

(b) Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting held on 8 May 2013 as he was obliged to be away for a business trip on that date. Mr. Shum Sai Chit, Director of the Group, attended the said annual general meeting to answer questions from shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct of the Company regarding Directors' securities transactions. The Company made specific enquiries to all Directors and all Directors have confirmed in writing that they have complied with the required standards set out in the code of conduct during the period under review.

AUDIT COMMITTEE

The Audit Committee was established in January 2004. As at 30 June 2013, the Audit Committee has three members, namely Mr. Kwong Ping Man, Mr. Liu Hoi Keung and Mr. Sheng Hong. Mr. Kwong Ping Man is the chairman of the Audit Committee.

The Audit Committee is to review the Group's financial reporting, the effectiveness of both the internal and external audit and internal controls and to make recommendations to the Board. During the six months ended 30 June 2013, the Audit Committee held two meetings for the purpose of reviewing the Company's reports and accounts, and providing advices and recommendations to the Board.

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial statements were complied with the applicable accounting standards and adequate disclosures had been made.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises four members, namely Mr. Kwong Ping Man, Mr. Liu Hoi Keung, Mr. Shum Sai Chit and Mr. Sheng Hong, the majority of whom are independent non-executive Directors. The functions of the Remuneration Committee are to formulate transparent procedures for set up remuneration policies and packages for Directors and the senior management of the Group.

By the order of the Board
Shum Sai Chit
Executive Director

Hong Kong, 29 August 2013

As at the date of this announcement, the directors of the Company are:

Executive directors:	*Mr. Chi Wen Fu, Mr. Shum Sai Chit, Ms. Chi Bi Fen and Mr. Yang Yuchuan*
Non-executive director:	*Mr. Guo Mengyong*
Independent non-executive directors:	*Mr. Kwong Ping Man, Mr. Liu Hoi Keung and Mr. Sheng Hong*