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**世纪阳光**

**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)**

**MAJOR AND CONNECTED TRANSACTION IN RESPECT OF  
THE PROPOSED ACQUISITION OF 50.5% EQUITY INTEREST  
IN SHANDONG HONGRI ACRON CHEMICAL JOINT STOCK COMPANY, LTD  
AND  
PROVISION OF FINANCIAL ASSISTANCE**

**Financial Adviser**



**BAOQIAO PARTNERS CAPITAL LIMITED**

**THE ACQUISITION AND THE FINANCIAL ASSISTANCE**

On 3 August 2016, after trading hours, the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor and the Target Company, pursuant to which, the Purchaser conditionally agreed to buy, and the Vendor conditionally agreed to sell the entire equity interest in the Target Company, at the cash consideration of US\$1 (equivalent to approximately HK\$7.76), which is payable in accordance with the terms and conditions thereto at Completion.

Furthermore, pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to procure the Financial Assistance to the Target Group for the working capital of the Target Group's fertilizer business.

Upon Completion, the Company will own the entire equity interest in the Target Company, and will indirectly own approximately 50.5% equity interest in Hongri Acron and each of Shandong Zhongfu, Linyi Luo Zhuang and Linyi Ding Rui. The financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group after Completion.

### **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions exceed 25% but are less than 100%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Vendor is a wholly-owned subsidiary of Best Equity, a company owned as to 47.17% by Mr. Yang and 52.83% by Ms. Zou Li and interested in 309,914,999 Shares, representing approximately 6.74% of the issued share capital of the Company as at the date of this announcement. Mr. Yang is an executive Director and is directly and indirectly interested in (i) 346,844,434 Shares (including his interest in Best Equity and his spouse's interest of 36,929,435 Shares), representing approximately 7.54% of the issued share capital of the Company and (ii) share options granted by the Company entitling him to subscribe for 19,167,435 Shares. Since Mr. Yang indirectly owns 47.17% equity interest in the Vendor and is the sole director of the Vendor, the Vendor is an associate of Mr. Yang and therefore a connected person of the Company. Accordingly, the Transactions also constitute a connected transaction under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Yang has abstained from voting on the relevant Board resolutions in relation to the Transactions. In addition, Mr. Yang, Ms. Zou Li and their respective close associates are required to abstain from voting on the resolutions approving the Acquisition Agreement and the Transactions at the EGM.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Acquisition Agreement and the Transactions. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the Transactions.

## DESPATCH OF CIRCULAR

The EGM will be convened and held to consider and, if thought fit, to approve the Acquisition Agreement and the Transactions. A circular containing, among other things, (i) further details of the Transactions; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) the accountants' report of the Target Group; and (v) the notice of the EGM, will be despatched to the Shareholders of the Company on or before 9 September 2016 as more time is required to finalise the information for inclusion in the Circular.

**Since Completion is subject to the fulfillment and/or waiver (as the case may be) of the conditions under the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## THE ACQUISITION AND THE FINANCIAL ASSISTANCE

On 3 August 2016 (after trading hours), the Purchaser, the Vendor and the Target Company entered into the Acquisition Agreement.

### The Acquisition Agreement

Date: 3 August 2016 (after trading hours)

Parties:

- (i) the Purchaser
- (ii) the Vendor, a company incorporated in the BVI with limited liability, which is indirectly owned by Mr. Yang as to 47.17% and a connected person of the Company under the Listing Rules
- (iii) the Target Company

### Subject Matter

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital in the Target Company. Further information regarding the Target Group is set out in the paragraph headed "Information on the Target Group" below.

The Sale Shares were acquired by the Vendor from Limited Liability Company Trustservice (the "**Previous Vendor**"), a company existing under the laws of the Russian Federation and owned by the Acron Group, at the consideration of US\$1 (equivalent to approximately HK\$7.76). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Previous Vendor and the Acron Group are Independent Third Parties. The said acquisition was completed on 2 August 2016 and the Vendor has become the legal and beneficial owner of the Sale Shares.

### *Negotiations between the Company, the Vendor and the Previous Vendor*

The Company had preliminary contacts with the Previous Vendor regarding the possibility of acquiring the entire interest in the Target Company. As the acquisition would constitute a major transaction of the Company under Chapter 14 of the Listing Rules, completion of the acquisition shall be conditional upon the Company having complied with the requirements of the Listing Rules and the Stock Exchange (including but not limited to publishing the relevant announcement and/or circular) and having obtained the Shareholders' approval in relation to the acquisition. Accordingly, such conditions precedent must be stipulated in the sale and purchase agreement in order for the Company to comply with the Listing Rules in respect of the acquisition.

However, the Previous Vendor did not agree that (i) the completion would be subject to the compliance with the publication of the relevant announcement and/or circular under the Listing Rules and the Shareholders' approval at the general meeting of the Company which would prolong the completion of the acquisition; and (ii) the acquisition might not proceed because of non-fulfillment of such conditions precedent.

To resolve the deadlock and to facilitate the acquisition of the entire interest in the Target Company by the Purchaser, Mr. Yang, being an executive Director, procured the Vendor to enter into a sale and purchase agreement on 22 July 2016 with the Previous Vendor on substantially the same terms and conditions as those of the Acquisition Agreement (except for the provision of the Financial Assistance, which was agreed between the Purchaser and the Vendor in consideration of the current financial position of the Target Group) to acquire the entire issued share capital of the Target Company at the cash consideration of US\$1 (equivalent to approximately HK\$7.76) and meanwhile, the Vendor entered into negotiations with the Company for the sale of the Target Company to the Company. As advised by the Vendor, the Vendor undertakes to the Previous Vendor to procure the repayment of Certain Existing Debts by Hongri Acron as defined in the paragraph headed "Certain Existing Debts" below.

### **Consideration**

The consideration of the Acquisition of US\$1 (equivalent to approximately HK\$7.76) shall be payable by the Purchaser at Completion.

### **Basis of Consideration**

The Consideration was determined based on arm's length negotiations between the parties with reference to the operating and financial performance as well as the future prospects of the Target Group. When determining the Consideration, the Company has taken into account of Hongri Acron's market position in the fertilizer business, the brand strength of its products and the operating synergies and potential business growth to be realised from the Acquisition. Historical revenues and earnings of the Target Group, the Financial Assistance to be procured by the Purchaser and the strategic benefits of the Acquisition as discussed in the paragraph headed "Reasons for and benefit of the Transactions" in this announcement were considered in arriving at the mutually agreed purchase price for the Sale Shares.

The Directors (other than independent non-executive Directors whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser) are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company intends to satisfy the Consideration by utilizing the internal resources of the Group.

### **Certain Existing Debts**

Pursuant to the Acquisition Agreement, subject to Completion taking place, the Purchaser undertakes to use reasonable efforts to procure Hongri Acron or its subsidiaries to repay the outstanding balance of the Certain Existing Debts by not later than 25 December 2016. In the event that the outstanding balance of the Certain Existing Debts is not fully repaid on or prior to 25 December 2016, the Purchaser shall procure the provision of Financial Assistance (as defined below) for the repayment of the outstanding balance of the Certain Existing Debts by not later than 30 December 2016.

The amount of the Certain Existing Debts is final and non-interest bearing and shall not be adjusted by any interest or penalty accrued or paid.

### **Financial Assistance**

In light of the current financial position of the Target Group, in connection with the Acquisition, the Purchaser has conditionally agreed to use reasonable efforts to assist the Target Group to procure financing for the working capital of the Target Group's fertilizer business.

Pursuant to the Acquisition Agreement, the Purchaser, subject to the fulfillment of condition (b) as disclosed in the paragraph headed "Conditions Precedent" below, agrees to use reasonable efforts to assist the Target Group to procure financing from banks and financial institutions and/or shall provide any forms of guarantee or securities (upon request by such banks and financial institutions) in aggregate loan amount not exceeding RMB250,000,000 (equivalent to approximately HK\$292,500,000) provided that, among others, all the proceeds from the financing procured by the Purchaser shall be solely used by the Target Group for the working capital of the Target Group's fertilizer business including the repayment of Certain Existing Debts by not later than 25 December 2016 but not for any other purpose.

The Acquisition Agreement also provides that, all the costs and expenses incurred by the Purchaser in procuring such financing shall be borne by the Target Group, and the Target Group shall be liable to the Purchaser for all the debts and financial obligations under the relevant financing arrangement including the Financial Assistance. The Target Company and the Vendor shall procure the Target Group to repay all such outstanding loans and interests pursuant to the terms of such financing documents or upon demand of repayment by the banks or financial institutions, and the Target Company shall indemnify the Purchaser against any losses or damages suffered by it pursuant to arising out of any breach of the financing documents by the Target Group in respect of the Financial Assistance.

In consideration of the Purchaser agreeing to procure the Financial Assistance, each of the Vendor and the Target Company undertakes to the Purchaser, from the date of the Acquisition Agreement until the date of Completion or the Long-Stop Date, whichever occurs earlier as follows:

- (i) procure Hongri Acron to pledge its products brands to the Purchaser and/or the banks and financial institutions (if required by such banks and financial institutions) as security for the financing arrangement in connection with the Financial Assistance;
- (ii) appoint or procure the appointment of the Purchaser's Director within 5 Business Days from the date of the Acquisition Agreement such that the Purchaser shall control the majority of the seats of the board of directors of all members of the Target Group; and
- (iii) none of the members of the Target Group shall take, permit to occur, approve, authorize or agree or commit to do, and each of the Vendor and the Target Company shall ensure that each of the members of the Target Group will not take, permit to occur, approve, authorise, or agree or commit to do, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise, any other action, including but limited to, (i) borrowing or otherwise raising money or incur any indebtedness (save for certain exceptions); (ii) selling or otherwise disposing of the business/assets owned by the Target Group (save for certain exceptions); or (iii) cessation or material change of the Target Group's existing business without the prior written consent of the Purchaser or a Purchaser's Director.

### **Conditions Precedent**

The Completion is subject to the satisfaction or waiver (as the case may be) of, among other things, the following conditions precedent:

- (a) Due Diligence: the Purchaser having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Target Group by the Purchaser or any of its officers, employees, agents, professional advisers or other agents as the Purchaser in its discretion deems necessary, desirable or appropriate to undertake;
- (b) Shareholders' Approval: the approval by the Shareholders at the EGM of the entering into of the Acquisition Agreement, the provision of the Financial Assistance and all other transactions contemplated under the Acquisition Agreement, having been obtained, all in accordance and compliance with the Listing Rules;
- (c) Corporate Approval: all corporate approvals required for the Acquisition and the execution and performance of the Acquisition Agreement by the Purchaser having been obtained;
- (d) Warranties: the warranties contained in the Acquisition Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion by reference to the facts and circumstances then subsisting;

- (e) No Prohibitive Action: no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Acquisition Agreement or which is reasonably likely to materially and adversely affect the right of the Purchaser to own the legal and beneficial title to the Sale Shares, free from encumbrances, following the date of Completion;
- (f) Waiver of Pre-emption: the waiver of pre-emption or similar right (if any) with respect to the transfer of the Sale Shares as contemplated under the Acquisition Agreement having been obtained;
- (g) Approvals: all necessary approvals and consents required to be obtained by any member of the Target Group from any authority or other third party in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Purchaser;
- (h) Compliance: the Vendor having complied with all its obligations under the Acquisition Agreement which are required to be complied with before Completion; and
- (i) No Material Adverse Effect: there has been, in the reasonable opinion of the Purchaser, no material adverse effect and no event, fact or matter has occurred or is likely to occur which may give rise to a material adverse effect.

Pursuant to the Acquisition Agreement, conditions (b), (e) and (f) can not be waived.

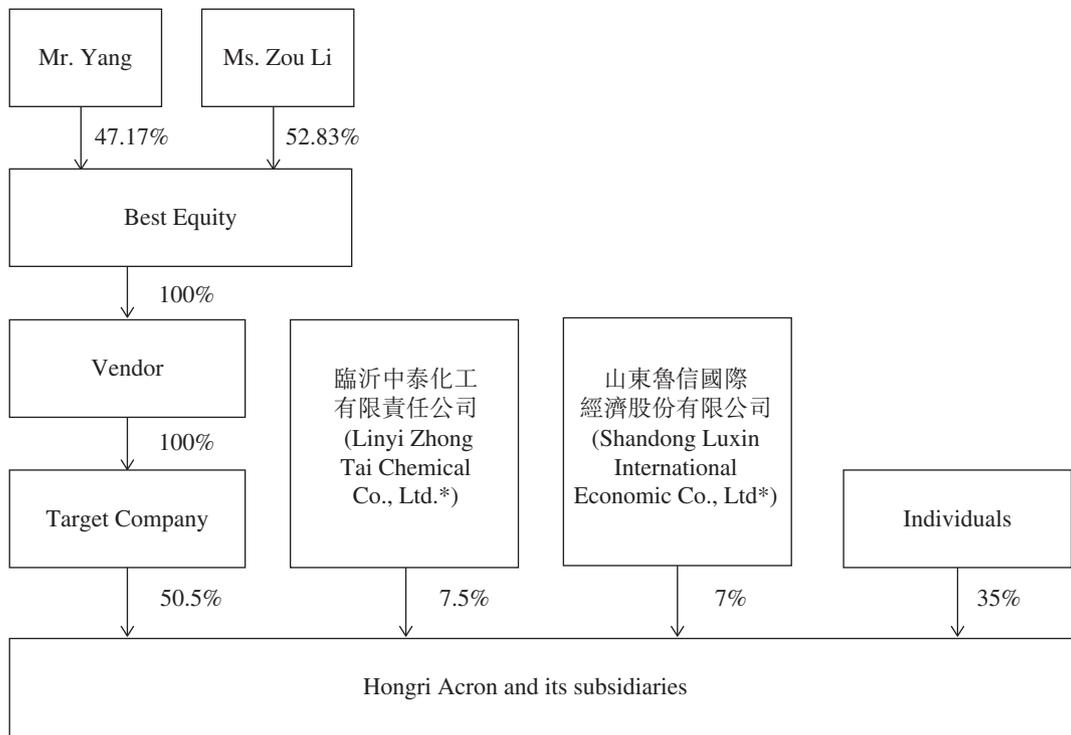
### **Completion**

Completion shall take place on the fifth (5th) Business Day after all the conditions precedent to the Acquisition Agreement have been fulfilled (or waived, where applicable) to the satisfaction of the Purchaser or such other day which is a Business Day to be agreed in writing by the Vendor and the Purchaser.

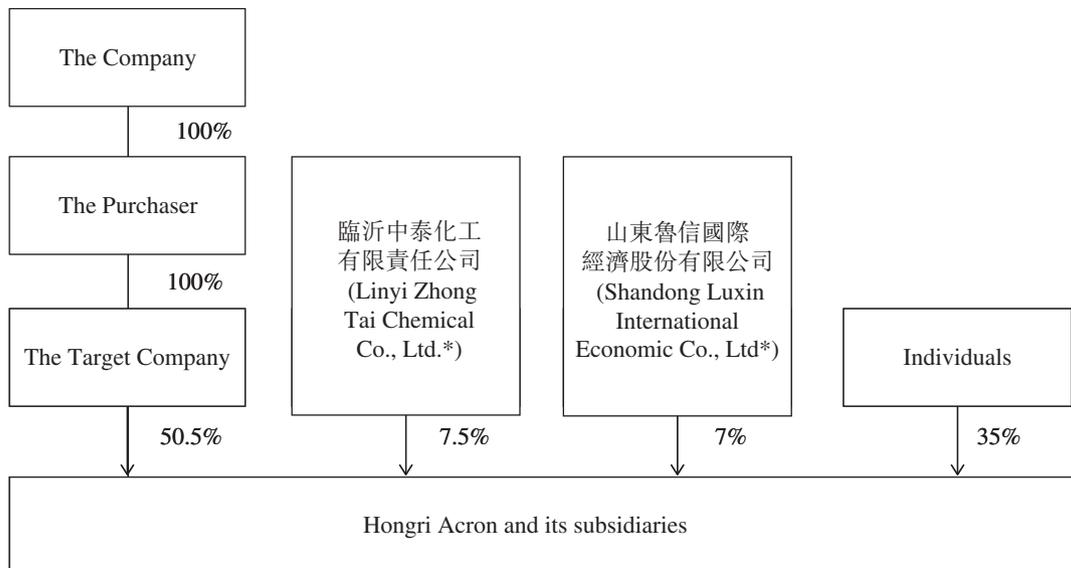
Upon Completion, the Company will own the entire equity interest in the Target Company, and will indirectly own approximately 50.5% equity interest in Hongri Acron and each of Shandong Zhongfu, Linyi Luo Zhuang and Linyi Ding Rui. The financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group after Completion.

The following charts demonstrate the simplified shareholding structure of the Target Group (a) as at the date of this announcement; and (b) immediately following Completion:

(a) *As at the date of this announcement*



(b) *Immediately following Completion*



## INFORMATION ON THE PARTIES

### The Company and the Group

The principal business activity of the Company is investment holding and the Group is principally engaged in the fertilizer business, magnesium product business and metallurgical flux business.

### The Vendor

Prosperous Rich Holdings Limited is an investment holding company incorporated in the BVI with limited liability. The Vendor is wholly-owned by Best Equity, a company owned as to 47.17% by Mr. Yang.

## INFORMATION ON THE TARGET GROUP

### The Target Company

The Target Company is a private company limited by shares and registered under the laws of the Republic of Cyprus. The principal activity of the Target Company is investment holding.

### Hongri Acron and its subsidiaries

Hongri Acron is a joint stock limited liability company incorporated in the PRC and is principally engaged in the fertilizer business in the PRC. Hongri Acron is owned as to (i) 50.5% by the Target Company; (ii) 7.5% by 臨沂中泰化工有限責任公司 (Lianyi Zhongtai Chemical Co., Ltd.\*), an Independent Third Party; (iii) 7% by 山東魯信國際經濟股份有限公司 (Shandong Luxin International Economic Co., Ltd.\*), an Independent Third Party; and (iv) 35% by individuals, who are, to the best knowledge of the Company, Independent Third Parties.

Hongri Acron, as formerly known as Shandong Hongri Chemical Joint Stock Company, Ltd. (山東紅日化工股份有限公司), was established in 1965. In 2002, Acron Group, the renowned fertilizer producer in Russia and worldwide and whose shares are listed on both Moscow Exchange and the London Stock Exchange, invested in Hongri Acron. The Hongri Acron facility was one of the three production facilities of Acron Group in the world and mainly produced compound fertilizers for the PRC market.

Hongri Acron's plant and production facilities are located at the premises in Linyi City, Shandong Province, the PRC with a total area of approximately 632,000 square metres (the "**Relevant Property**"). Hongri Acron is one of the leading compound fertilizer producers in the PRC. As at the date of this announcement, it has in place 9 major production lines, for processing and production of compound fertilizers with aggregate annual production capacity of approximately 820,000 tonnes. For each of three years ended 31 December 2015 and the six months ended 30 June 2016, Hongri Acron sold approximately 834,000 tonnes, 737,000 tonnes, 614,000 tonnes and 245,000 tonnes of compound fertilizers at an average selling price of approximately RMB2,468, RMB2,233, RMB2,246 and RMB2,112 per tonnes respectively.

***Business interruption — suspension of production in 2015 and temporary reduction of production capacity in 2016***

Hongri Acron had suspended production for the period from March 2015 to April 2016 due to the environmental inspection of the industrial areas in Linyi City by the local authorities. It has resumed production since late April 2016 but has temporarily reduced production to approximately 20% of the plant capacity due to the lack of liquidity to maintain its operation following the said suspension. It is the Group's intention to procure Hongri Acron to resume full production as soon as possible and the Directors will conduct a review with senior management of Hongri Acron on the business activities of the Target Group for the purpose of formulating business plan and strategies for improving productivity as well as future business development of the Target Group upon Completion.

***Expiration of Environmental Permits***

It has come to the attention of the Directors during the Company's due diligence on the Target Group that some of the permits and licenses regarding the production and processing of fertilizers and the related materials, which include pollutants discharge permit and the production licenses of sulfuric acid and ammonia, both are raw materials for the production of the fertilizers, have currently expired.

*(i) Pollutants discharge permit*

The Company's PRC legal advisers have made enquiry with the competent PRC government authority regarding the procedures for the renewal of the pollutants discharge permit and it was noted that Hongri Acron could apply for the renewal of such permit once Hongri Acron resumes normal production.

*(ii) Production licenses of sulfuric acid and ammonia*

The senior management of Hongri Acron advised the Company's legal advisers that Hongri Acron has applied to the relevant government authorities for the extension of the renewal application of the production licenses for sulfuric acid and ammonia due to the suspension of production of these products. Hongri Acron has yet to receive any reply from the relevant authorities as at the date of this announcement on its renewal application. As advised by the senior management of Hongri Acron, the production of these two materials has been suspended due to low cost effectiveness and these two products are currently sourced from independent suppliers.

The Company will ensure that upon completion of the Acquisition, (i) Hongri Acron will continue to source these two products from independent suppliers until valid licenses have been obtained and the absence of the production licences would not cause any material impact to the resumption of the full plant capacity; and (ii) subject to Completion, the Group will ensure compliance with the relevant rules and requirements if Hongri Acron decides to resume production of these materials in the future.

### ***Government relocation plan***

The principal operation of Hongri Acron located in the Relevant Property may be affected by the relocation plan. On 2 July 2015, 臨沂市人民政府辦公室 (Linyi Municipal People's Government Office\*) issued the Notice in respect of (A) the closure and relocation of (i) chemical companies which are within the city center and did not complete the formalities or comply with the environmental standards by the end of 2015; (ii) chemical companies which are not within the planned industrial area and did not comply with the environmental, health and safety standards by the end of 2017; and (B) relocation of all chemical companies by 2020.

Hongri Acron was originally listed as one of the companies to be relocated in 2016 but was later permitted to postpone its relocation, which is now scheduled to start in 2018 and to complete by 2020.

To the best knowledge of the Directors, (i) Hongri Acron intends to continue its principal operation in its current premises until and unless it has received a Relocation Order; (ii) Hongri Acron has not yet received any Relocation Order; and (iii) Hongri Acron is improving the environmental, health and safety requirements of its production premises and will liaise with 臨沂市人民政府辦公室 (Linyi Municipal People's Government Office\*) to obtain extension of relocation deadline from the Notice. The Company will ensure that, subject to Completion, the Group would arrange for relocation of Hongri Acron's principal operation site to other premises of the Group in the event that a Relocation Order is issued.

### ***Subsidiaries of Hongri Acron***

As at the date of this announcement, Hongri Acron directly holds 100% equity interests in each of Shandong Zhongfu, Linyi Luo Zhuang and Linyi Ding Rui.

Shandong Zhongfu is a limited liability company incorporated under the laws of the PRC which is principally engaged in the production and sales of fertilizers. Linyi Luo Zhuang is a limited liability company incorporated under the laws of the PRC which is principally engaged in property management service. Linyi Ding Rui is a limited liability company incorporated under the laws of the PRC which is principally engaged in the production and sales of land plaster and cement products.

Shandong Zhongfu is currently inactive and both Linyi Lou Zhong and Linyi Ding Rui are in the process of deregistration.

## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information of the Target Group for the two years ended 31 December 2014 and 2015 and six months ended 30 June 2016:

	<b>For the six months ended 30 June 2016 RMB'000</b>	<b>For the years ended 31 December 2015 RMB'000</b>	<b>31 December 2014 RMB'000</b>
Revenue	401,856	1,439,843	1,702,047
Profit/(loss) before taxation	(124,050)	(129,167)	23,954
Profit/(loss) for the year/period	<u>(124,050)</u>	<u>(129,167)</u>	<u>23,952</u>
	<b>As at 30 June 2016 RMB'000</b>	<b>As at 31 December 2015 RMB'000</b>	<b>As at 31 December 2014 RMB'000</b>
Net current (liabilities)	(515,830)	(406,080)	(238,410)
Net assets	<u>135,070</u>	<u>259,555</u>	<u>388,476</u>

### *Corporate Guarantees*

Hongri Acron as a guarantor has entered into several guarantee agreements with banks in the PRC where Hongri Acron agreed to provide a corporate guarantee for each of 華盛江泉集團有限公司 (Huasheng Jiangquan Group Co. Ltd.\*) and 臨沂美聯重工有限公司 (Linyi Meilian Zhonggong Co. Ltd\*), both of which are Independent Third Parties, with a sum of approximately RMB269 million and approximately RMB39 million, respectively.

As informed by the auditors of the Company, the fair value of the above guarantees shall be accounted for in the accountants' report of the Target Group pending the results of the independent valuation carried out by the independent valuer engaged by the Company. The maximum exposure of the above guarantees will be approximately RMB312 million and approximately RMB308 million as at 31 December 2015 and 30 June 2016 respectively.

Following the Completion, the Group will liaise with banks and the principal debtors in order to reduce Hongri Acron's exposure to the above corporate guarantees.

### *Potential assets impairment*

As informed by the auditors of the Company, a potential provision for impairment loss on property, plant and equipment, pending the results of the independent valuation carried out by the independent valuer engaged by the Company, was expected to be accounted for in the accountants' report of the Target Group for the six months ended 30 June 2016 in light of the current business position of Hongri Acron as disclosed in the paragraph headed "Information of the Target Group" in this announcement.

It is the intention of the senior management of Hongri Acron to resume normal production operation of the Target Group as soon as possible and to the best knowledge of the Directors based on information currently available, the Directors consider that the impairment loss on property, plant and equipment is non-recurring.

***Net current liabilities and potential net liabilities of the Target Group***

Based on the unaudited consolidated management accounts of the Target Company for the two years ended 31 December 2015 and for the six months ended 30 June 2016, the Target Group reported net current liabilities of approximately RMB238,410,000 (equivalent to approximately HK\$278,939,700), RMB406,080,000 (equivalent to approximately HK\$475,113,600) and RMB515,830,000 (equivalent to approximately HK\$603,521,100) respectively and incurred debts of approximately RMB892,322,000 (equivalent to approximately HK\$1,044,016,740), RMB1,064,361,000 (equivalent to approximately HK\$1,245,302,370) and RMB890,346,000 (equivalent to approximately HK\$1,041,704,820) respectively as at 31 December 2014, 31 December 2015 and 30 June 2016. The heavy indebtedness position was mainly resulted from (i) the financing of capital investments in production facilities and its ordinary course of business for the past few years; and (ii) the operating loss of the Target Group for the year ended 31 December 2015 and for the six months ended 30 June 2016 due to the business interruption as disclosed in the paragraph headed “Information of the Target Group” in this announcement.

In view of the potential adjustments in the accountant’s report of the Target Group for the corporate guarantees and assets impairment as mentioned in the paragraphs headed “Corporate Guarantees” and “Potential assets impairment” in this announcement, it was currently estimated by the Directors that the Target Group may report net liabilities as at 31 December 2015 and 30 June 2016 subject to the final audited results of the Target Group to be incorporated in the accountant’s report of the Target Group.

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to procure Financial Assistance for the Target Group. In addition, leveraging on the Group’s ability of effectively raise capital and its well maintained relationship with banks, the Group will adopt measures to adjust the loan structure of Hongri Acron following Completion, including but not limited to, renegotiate the existing terms of borrowings and/or conduct fund raising activities to finance the operations of Hongri Acron in order to lower the finance costs and improve the gearing position of Hongri Acron.

Given (i) the anticipated improvement in operational efficiency and liquidity of the business operations and increase in sales after resumption of full plant production capacity; (ii) the synergies of combining the research and development, sharing customer base, sales network and other system functions, such as finance, administration and information technologies; and (iii) the reduced operating costs by improving the gearing position and enhancing the resources utilization ratio, it is expected that Hongri Acron will be able to turn around and achieve growth in its financial performance. The Directors (other than independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the Independent Financial Adviser) are of the view that, despite the net current liabilities and potential net liabilities position of the Target Group, the Acquisition is fair and reasonable.

## REASONS FOR AND BENEFIT OF THE TRANSACTIONS

In order to continue to expand the operating scale and enhance the growth of the fertilizer business of the Group, the Group intends to acquire an indirect 50.5% equity interest in Hongri Acron and its subsidiaries through the acquisition of the Sale Shares. The Board believes that the Acquisition is consistent with the development strategy of the Group, which can bring long-term strategic benefits to the Group including:

### **1. Satisfy the development strategy and positioning of the Group, which is beneficial to enhancing the competitive advantage of the Group's core business**

The Group aims to develop its fertilizer business to the national forefront. To this end, the Group has been actively expanding its production scale and the annual capacity is expected to reach 850,000 tonnes in 2016 through technology upgrade of existing production capacities. The Group also intends to build a new production line with annual capacity of 1.4 million tonnes on its newly acquired land in Ruichang City, Jiangxi Province, the PRC in the next few years. In addition, it is the Group's strategy to seek for appropriate mergers and acquisition opportunities so as to accelerate the growth of its fertilizer business.

Hongri Acron is a well-established and leading fertilizer producer in the PRC with an annual production capacity of compound fertilizers of approximately 820,000 tonnes. Hongri Acron has a stable business model and over 50 years of proven track record in manufacturing and sales of fertilizers since its establishment in 1965 (as formerly known as Shandong Hongri Chemical Joint Stock Company, Ltd. (山東紅日化工股份有限公司)). In addition, Hongri Acron has strong and experienced technical team in fertilizer production and R&D and it possesses a total of 5 self-invented patents in relation to the fertilizer production technology as at the date of this announcement.

Despite the current financial and business position of Hongri Acron as disclosed in paragraph headed "Information of the Target Group" in this announcement, by virtue of Hongri Acron's industry experience accumulated over the years, its industry wide recognition and its strong product portfolio, Hongri Acron has maintained its competitiveness in the fertilizer market in the PRC and received positive recognition of its renowned brandname and solid foundation in the fertilizer business in the PRC. It ranked 375th among China Top 500 Chemical Industrial Enterprises in 2016 and ranked 75th among China Top 100 Fertilizer Corporations in 2015.

The Company considers that it is appropriate to financially support the Target Group by way of provision of Financial Assistance for the Target Group's fertilizer business for the purpose of the Acquisition. The Company considers that the provision of Financial Assistance will enhance the liquidity of the Target Group and facilitate the resumption of full plant capacity of Hongri Acron and thus, improve the financial performance of the Target Group.

The Company believes that, the Acquisition demonstrates the Group's development strategy and positioning in further expansion of its production scale. Leveraging on the Group's established platform in the PRC fertilizer business, its well maintained relationship with local governments, business and banks, the Acquisition is expected to

expedite the integration of the Group's core business and provide synergy that enables the Group to capture new opportunities in the fertilizer business and enhance its revenue stream.

## **2. Broaden the Group's products offering with the strong 艷陽天 (Yangyangtian\*) and 東方紅 (Dongfanghong\*) brand names**

Hongri Acron has products sold under more than 10 different brands and contributed revenue of approximately RMB1,952,209,000 (equivalent to approximately HK\$2,284,084,530), RMB1,702,047,000 (equivalent to approximately HK\$1,991,394,990) and RMB1,439,843,000 (equivalent to approximately HK\$1,684,616,310) for each of the year ended 31 December 2013, 31 December 2014 and 31 December 2015 respectively. Among the product brands owned by Hongri Acron, 艷陽天 (Yangyangtian\*) and 東方紅 (Dongfanghong\*) are renowned compound fertilizer brands in the PRC and are highly praised for its quality of improving soil fertility and enhancing crop quality.

For the years ended 31 December 2014 and 2015, the total products sold under the brands of 艷陽天 (Yangyangtian\*) and 東方紅 (Dongfanghong\*) were approximately 541,000 tonnes and 443,000 tonnes respectively, representing approximately 73% and 72% of the total compound fertilizers sold by Hongri Acron for each of the year ended 31 December 2014 and 2015.

The Company believes that the wide recognition and popularity of the brands owned by Hongri Acron will expand the Group's brand influence as well as reinforcing the Group's strategy of broadening the Group's product offerings and increasing its market share in the fertilizer industry in the PRC.

## **3. Benefit from the strong distribution network of Hongri Acron**

Hongri Acron has extensive distribution network, which includes 8 regional offices and 31 trade offices, covering approximately 29 provinces and autonomous regions in the PRC. It has a marketing team of more than 200 sales personnel with in-depth knowledge and expertise in the fertilizer production industry. The Company believes that the Group can achieve synergies by sharing customer base and sales network to further strengthen the Group's market coverage and penetration, expand the Group's distribution network and enhance its product supply across China.

## **4. Favorable policies of the Chinese government**

According to the statistics from National Bureau of Statistics of China, the consumption volume (measured at volume of effective components) of compound fertilizers increased from 17.98 million tonnes in 2010 to 21.16 million tonnes in 2014, representing a compound annual growth rate of about 3.31%. In addition, pursuant to the "Guidance on Prompting the Restructuring and Development of Fertilizer Industry (推進化肥行業轉型發展的指導意見)" issued by Ministry of Industry and Information Technology (工業和信息化部) of the PRC on 20 July 2015, which encourages eco-friendly agriculture and the utilization of the environment-friendly fertilizers, the utilization of the new type of fertilizers, including compound fertilizers in China will increase from less than 10% at present to 30% by 2020. The Company believes that, given the favorable agricultural

policies of the Chinese government and the increasing awareness on industrial efficiency and environmental protection, the demand for compound fertilizers in China would maintain the rising momentum.

Accordingly, the Directors (excluding the independent non-executive Directors whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser) are of the view that the Transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions exceed 25% but are less than 100%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Vendor is the wholly-owned subsidiary of Best Equity, a company owned as to 47.17% by Mr. Yang and 52.83% by Ms. Zou Li and interested in 309,914,999 Shares, representing approximately 6.74% of the issued share capital of the Company as at the date of this announcement. Mr. Yang is an executive Director and is directly and indirectly interested in (i) 346,844,434 Shares (including his interest in Best Equity and his spouse's interest of 36,929,435 Shares) representing approximately 7.54% of the issued share capital of the Company; and (ii) in share options granted by the Company entitling him to subscribe for 19,167,435 Shares. Since Mr. Yang indirectly owns 47.17% equity interest in the Vendor and is the sole director of the Vendor, the Vendor is an associate of Mr. Yang and therefore a connected person of the Company. Accordingly, the Transactions also constitute a connected transaction under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Yang has abstained from voting on the relevant Board resolutions in relation to the Transactions. In addition, Mr. Yang, Ms. Zou Li and their respective close associates are required to abstain from voting on the resolutions approving the Acquisition Agreement and the Transactions at the EGM.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Acquisition Agreement and the Transactions. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the Transactions.

## **DESPATCH OF CIRCULAR**

The EGM will be convened and held to consider and, if thought fit, to approve the Acquisition Agreement and the Transactions. A circular containing, among other things, (i) further details of the Transactions; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee

and the Independent Shareholders; (iv) the accountants' report of the Target Group; and (v) the notice of the EGM, will be despatched to the Shareholders of the Company on or before 9 September 2016 as more time is required to finalise the information for inclusion in the Circular.

**Since the Completion is subject to the fulfillment and/or waiver (as the case may be) of the conditions under the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company by the Purchaser pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the Acquisition Agreement entered into among the Purchaser and the Vendor dated 3 August 2016 in relation to the Transactions
“Acron Group”	Public Joint Stock Company Acron, a company incorporated in Russia Federation and whose shares are listed on both the Moscow Exchange and the London Stock Exchange
“Best Equity”	Best Equity Holdings Limited, a company incorporated in the BVI with limited liability and owned as to 47.17% by Mr. Yang and 52.83% by Ms. Zou Li
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Certain Existing Debts”	the debt owing by Hongri Acron to 北京永盛豐農資有限公司青島分公司 (Qingdao branch of Beijing Yong Sheng Feng AMP Co., Ltd*), an Independent Third Party, in the aggregate amount of RMB20,300,000.00
“Circular”	the circular of the Company containing, among other things, details of the Transactions, and the notice convening the EGM to be despatched to the Shareholders
“close associates”	has the meaning ascribed to it under the Listing Rules
“Company”	Century Sunshine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which is principally engaged in the investment holding and whose issued Shares are listed on Main Board of the Stock Exchange

“Completion”	completion of the Acquisition in accordance with the terms and conditions as set out in the Acquisition Agreement
“connected person(s)”	has the meanings to it under the Listing Rules
“Consideration”	the total consideration for the Acquisition
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among others, the entering into of the Acquisition Agreement and the Transactions
“Financial Assistance”	the financial assistance to be given to the Target Group by the Purchaser pursuant to the terms of the Acquisition Agreement, the details of which are disclosed in the section headed “The Acquisition and the Financial Assistance — Financial Assistance” in this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hongri Acron”	山東紅日阿康化工股份有限公司 (Shandong Hongri Acron Chemical Joint Stock Company, Ltd.*), a joint stock limited company established under the laws of the PRC
“Independent Board Committee”	an independent committee of the Board comprising of all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Acquisition Agreement and the Transactions
“Independent Financial Adviser”	TC Capital International Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement and the Transactions
“Independent Shareholders”	the Shareholders other than Mr. Yang and its close associates

“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and/or any of directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Linyi Ding Rui”	臨沂鼎瑞建材有限公司 (Linyi Ding Rui Construction Materials Company Limited*), a limited liability company incorporated under the laws of the PRC and a direct wholly-owned subsidiary of Hongri Acron
“Linyi Lou Zhong”	臨沂市羅莊區安泰物業服務有限公司 (Linyi City — Luo Zhuang Qu Antai Real Estate Service Company Limited*), a limited liability company incorporated under the laws of the PRC and a direct wholly-owned subsidiary of Hongri Acron
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long-Stop Date”	2 August 2017 (or such later date as the parties to the Acquisition Agreement may agree in writing)
“Mr. Yang”	Mr. Yang Yuchuan, an executive Director
“Notice”	the notice titled (《關於印發臨沂市中心城區工業企業「退城進園」實施方案的通知》) issued by 臨沂市人民政府辦公室 (Linyi Municipal People’s Government Office*)
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Long Xiang Enterprises Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Purchaser’s Director”	such person as may be nominated by the Purchaser to be appointed as director of each member of Target Group pursuant to the Acquisition Agreement
“Relocation Order”	any order or notice requesting Hongri Acron to move out from its current premises, cease production or operation
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	23,000,001 ordinary shares with par value of US\$1.00 each in the share capital of the Target Company

“Shandong Zhongfu”	山東中富化肥有限公司 (Shandong Zhongfu Compound Fertilizers Company Limited*), a limited liability company incorporated under the laws of the PRC and a direct wholly-owned subsidiary of Hongri Acron
“Share(s)”	ordinary issued share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Acronagrotrans Ltd., a private company limited by shares, registered under the laws of the Republic of Cyprus
“Target Group”	The Target Company and its subsidiaries
“Transactions”	the transactions contemplated under the Acquisition Agreement, including the Acquisition and the Financial Assistance
“US\$”	United States Dollars, the lawful currency of the United States of America
“Vendor”	Prosperous Rich Holdings Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Best Equity
“%”	per cent.

By Order of the Board  
**Century Sunshine Group Holdings Limited**  
**Chi Wen Fu**  
*Chairman*

Hong Kong, 3 August 2016

*\* The English translation of Chinese names in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official translation of such Chinese names*

*For illustration purposes only, amounts denominated in Renminbi and United States Dollars in this announcement have been translated into Hong Kong dollars at an exchange rate of RMB1 = HK\$1.17 and US\$1 = HK\$7.76 respectively.*

*As at the date of this announcement, the Board comprises Mr. Chi Wen Fu, Mr. Shum Sai Chit, Ms. Chi Bi Fen and Mr. Yang Yuchuan as executive Directors, Mr. Guo Mengyong as non-executive Director and Mr. Kwong Ping Man, Mr. Sheng Hong and Mr. Lau Chi Kit independent non-executive Directors.*