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 2016

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 2016 (the "Period") together with comparative figures:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	2016 (unaudited) HK$'000	2015 (unaudited) HK$'000
Revenue	4	**1,236,142**	1,204,092
Cost of sales		**(864,939)**	(815,910)
Gross profit		**371,203**	388,182
Other income and gains		**34,031**	15,875
Selling and marketing costs		**(40,605)**	(48,378)
Administrative expenses		**(73,141)**	(66,450)
Net realised and unrealised exchange differences		**(37,853)**	1,049
Net realised and unrealised gain on investments held for trading		**8,918**	25,817
Share of profit of joint ventures		**699**	763
Finance costs	6	**(59,508)**	(37,298)
Profit before income tax		**203,744**	279,560
Income tax expense	7	**(75,196)**	(77,461)
Profit for the period	8	**128,548**	202,099

	Notes	2016 (unaudited) HK$'000	2015 (unaudited) HK$'000
Other comprehensive expenses, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Net loss arising on revaluation of available-for-sale investment		**(6,950)**	(6,807)
Exchange differences arising from translation of foreign operations		**(76,513)**	(2,664)
Other comprehensive expenses for the period (net of income tax)		**(83,463)**	(9,471)
Total comprehensive income for the period		**45,085**	192,628
Profit for the period attributable to:			
Owners of the Company		**117,717**	183,016
Non-controlling interests		**10,831**	19,083
		128,548	202,099
Total comprehensive income for the period attributable to:			
Owners of the Company		**42,190**	175,804
Non-controlling interests		**2,895**	16,824
		45,085	192,628
Earnings per share:			
– basic	9	**2.56 cents**	4.61 cents
– diluted	9	**2.55 cents**	4.53 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2016 (unaudited)** *HK$'000*	As at 31 December 2015 (audited) *HK$'000*
Non-current assets			
Land use rights		**205,487**	172,739
Property, plant and equipment	*11*	**1,807,801**	1,863,009
Investment properties		**120,911**	125,436
Goodwill		**197,144**	197,144
Intangible assets		**1,550**	1,674
Mining rights		**493,935**	512,075
Payment for acquisition of patents		**52,417**	53,703
Deposits for acquisition of property, plant and equipment		**62,576**	10,688
Investments in joint ventures		**4,976**	4,290
Investment in an associate		**18**	18
Available-for-sale investments		**87,887**	116,418
		3,034,702	3,057,194
Current assets			
Available-for-sale investments		**8,537**	10,842
Inventories		**245,993**	248,241
Land use rights		**5,116**	4,420
Trade and other receivables, prepayments and deposits	*12*	**590,786**	607,036
Income tax recoverable		**1,786**	1,826
Investments held for trading		**10,899**	38,726
Derivative financial assets		**–**	7
Amount due from a joint venture		**295**	885
Bank and cash balances		**1,803,651**	1,452,515
		2,667,063	2,364,498

	Note	As at 30 June 2016 (unaudited) HK$'000	As at 31 December 2015 (audited) HK$'000
Less: Current liabilities			
Trade and other payables	*13*	**524,130**	356,592
Income tax payable		**50,330**	31,670
Borrowings		**296,936**	152,810
Convertible bonds		**–**	198,335
		871,396	739,407
Net current assets		**1,795,667**	1,625,091
Total assets less current liabilities		**4,830,369**	4,682,285
Less: Non-current liabilities			
Derivative financial liabilities		**2,180**	–
Deferred revenue		**67,885**	69,552
Borrowings		**1,496,710**	1,153,062
Deferred tax liabilities		**112,265**	116,333
		1,679,040	1,338,947
Net assets		**3,151,329**	3,343,338
Capital and reserves attributable to owners of the Company			
Share capital		**101,756**	101,986
Reserves		**2,715,291**	2,845,320
		2,817,047	2,947,306
Non-controlling interests		**334,282**	396,032
Total equity		**3,151,329**	3,343,338

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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, metallurgical flux business and electronic product 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 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 2016 were approved for issue by the Board on 31 August 2016.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 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 2015, which has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

The preparation of the unaudited 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 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these unaudited condensed consolidated interim financial statements.

Amendments to HKFRS 10, HKAS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27(2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012-2014 Cycle	Amendments to numbers of HKFRSs

The adoption of the revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Sales of fertiliser products	**681,960**	727,344
Sales of magnesium products	**424,385**	379,473
Sales of metallurgical flux products	**18,919**	39,218
Sales of electronic products	**110,878**	58,057
	1,236,142	1,204,092

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:

- Fertiliser business
- Magnesium product business
- Metallurgical flux business
- Electronic product business

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

(a) Segment revenue and results

Six months ended 30 June 2016:

	Fertiliser business (unaudited) *HK$'000*	Magnesium product business (unaudited) *HK$'000*	Metallurgical flux business (unaudited) *HK$'000*	Electronic product business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Segment revenue	681,960	424,385	27,269	110,878	1,244,492
Inter-segment revenue	–	–	(8,350)	–	(8,350)
Revenue from external customers	681,960	424,385	18,919	110,878	1,236,142
Segment results	166,760	133,619	11,535	8,944	320,858
Other income and gains					42,949
Central administrative costs					(63,401)
Net realised and unrealised exchange differences					(37,853)
Share of profit of joint ventures					699
Finance costs					(59,508)
Profit before income tax					203,744

Six months ended 30 June 2015:

	Fertiliser business (unaudited) *HK$'000*	Magnesium product business (unaudited) *HK$'000*	Metallurgical flux business (unaudited) *HK$'000*	Electronic product business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Segment revenue	727,344	379,473	47,102	58,057	1,211,976
Inter-segment revenue	–	–	(7,884)	–	(7,884)
Revenue from external customers	727,344	379,473	39,218	58,057	1,204,092
Segment results	182,206	135,434	17,938	(3,468)	332,110
Other income and gains					41,692
Central administrative costs					(58,756)
Net realised and unrealised exchange differences					1,049
Share of profit of joint ventures					763
Finance costs					(37,298)
Profit before income tax					279,560

Segment revenue reported above represents revenue generated from external customers. Inter-segment revenue has been eliminated in current and last 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' emoluments, net realised and unrealised exchange differences, other income and gains, share of profit of joint ventures, 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 2016 (unaudited) *HK$'000*	As at 31 December 2015 (audited) *HK$'000*
Fertiliser business	**892,971**	954,080
Magnesium product business	**1,859,779**	1,772,216
Metallurgical flux business	**675,446**	692,714
Electronic product business	**201,051**	210,163
	3,629,247	3,629,173
Unallocated	**2,072,518**	1,792,519
	5,701,765	5,421,692

6. FINANCE COSTS

	Six months ended 30 June	
	2016 **(unaudited)** ***HK$'000***	2015 (unaudited) *HK$'000*
Interest on convertible bonds	**13,408**	22,822
Interest on listed subordinated notes	**27,874**	2,476
Interest on exchangeable bonds	**4,525**	–
Interest on borrowings wholly repayable within five years	**9,879**	8,278
Interest on borrowings wholly repayable after five years	**8,688**	6,324
Total borrowing costs	**64,374**	39,900
Less: Amount capitalised in the cost of qualifying assets	**(4,866)**	(2,602)
	59,508	37,298

7. INCOME TAX EXPENSE

The amount of taxation charged/(credited) to the unaudited condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	–
– PRC Enterprises Income Tax	**76,495**	79,226
– Others	**12**	13
	76,507	79,239
Deferred taxation	**(1,311)**	(1,778)
	75,196	77,461

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Provision for inventories	**716**	–
Reversal of impairment of other receivables	**(5,905)**	–
Depreciation and amortisation	**61,153**	45,014

9. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**117,717**	183,016
Weighted average number of ordinary shares in issue *('000)*	**4,601,518**	3,966,224
Basic earnings per share *(HK cents per share)*	**2.56**	4.61

(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 two categories of dilutive potential ordinary shares: share options and convertible bonds.

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.

For the convertible bonds, the effect of which was anti-dilutive and they were fully redeemed during the Period (2015: the effect of which was anti-dilutive), they were not included in the calculation of diluted earnings per share.

	Six months ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**117,717**	183,016
Weighted average number of ordinary shares in issue *('000)*	**4,601,518**	3,966,224
Adjustment for share option *('000)*	**8,256**	77,651
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,609,774**	4,043,875
Diluted earnings per share *(HK cents per share)*	**2.55**	4.53

10. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the six months ended 30 June 2016 (2015: HK$ Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group had acquired property, plant and equipment amounting to approximately HK$40,038,000 (2015: HK$190,780,000).

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 June 2016 (unaudited) ***HK$'000***	As at 31 December 2015 (audited) *HK$'000*
Trade receivables	**515,801**	472,513
Bills receivable	**7,843**	4,597
Prepayments and deposits	**29,243**	90,394
Other receivables	**36,364**	34,075
Deposits placed with financial institutions	**1,535**	5,457
	590,786	607,036

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 2016 (unaudited) ***HK$'000***	As at 31 December 2015 (audited) *HK$'000*
Within 30 days	**258,919**	153,993
31 to 60 days	**145,416**	134,466
61 to 90 days	**79,221**	148,799
Over 90 days	**32,245**	35,255
	515,801	472,513

The Group allows a credit period normally not more than 180 days (2015: not more than 180 days) to its trade customers.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2016 (unaudited) *HK$'000*	As at 31 December 2015 (audited) *HK$'000*
Trade payables	**185,212**	104,520
Bill payables	**1,100**	–
Receipts in advance	**14,646**	33,358
Provision	**999**	945
Accruals and other payables	**322,173**	217,769
	524,130	356,592

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

	As at 30 June 2016 (unaudited) *HK$'000*	As at 31 December 2015 (audited) *HK$'000*
Within 30 days	**117,581**	83,409
31 to 60 days	**36,198**	5,127
61 to 90 days	**10,627**	5,694
Over 90 days	**20,806**	10,290
	185,212	104,520

14. CHANGE ON OWNERSHIP INTERESTS IN SUBSIDIARIES

During the Period, the Group acquired additional interests in several subsidiaries through purchase from non-controlling shareholders of and capitalisation of loan advanced to the subsidiaries. As a result, the Group recognised a decrease in non-controlling interests of approximately HK$64,645,000 and a decrease in other reserve of approximately HK$109,150,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2016 (the "Period"), global economy remained lackluster. Although emerging economies have experienced slight recovery, in general the economy was still relatively weak as US economic growth slowed down, European economies showed little signs of rebound, and Japan's economy has been perplexed by the problem of yen appreciation and deflation. The PRC's economic development was basically steady with gross domestic product over the same period recorded a year on year increase of 6.7%. Although the Group has recorded an increase in sales volume for both magnesium and fertiliser businesses during the Period, sales revenue was partially offset by a drop in raw material prices and the depreciation of RMB. Nevertheless, total revenue remained stable compared to the last corresponding period.

For the six months ended 30 June 2016, Century Sunshine Group Holdings Limited ("Century Sunshine" or the "Company", together with its subsidiaries, the "Group") recorded an increase in revenue by 2.7% to HK$1,236,142,000 (2015: HK$1,204,092,000), overall gross profit margin recorded 30.0% (2015: 32.2%). Revenue of the magnesium product business amounted to HK$424,385,000 for the Period (2015: HK$379,473,000), representing an increase of 11.8% year-on-year and accounted for 34.3% (2015: 31.5%) of the Group's total revenue; revenue of the fertiliser business amounted to HK$681,960,000 for the Period (2015: HK$727,344,000), representing a decrease of 6.2% year-on-year and accounted for 55.2% (2015: 60.4%) of the Group's total revenue. During the Period, the selling prices of both magnesium product and fertiliser businesses were relatively volatile as affected by an overall decrease in commodity prices, nevertheless gross profit margins for both businesses only slightly decreased, indicating the effectiveness of the Group's cost control measures.

Fertiliser Business

The Group has two major fertiliser products, namely compound fertilisers and organic fertilisers. During the Period, the fertiliser business contributed approximately HK$681,960,000 (2015: approximately HK$727,344,000) of revenue to the Group, with an average gross profit margin of approximately 27.6% (2015: 28.5%).

The Group has been engaging in the research and development, production and sales of ecological fertiliser for years, its products are highly recognised in the industry, sold under various brands such as "Lu Di", "Le He He", "Zhan Lan" and "Feng Shou" to 20 provinces across the country. In recent years, the increasing use of environmentally friendly, efficient and new type of fertilisers is gradually becoming a new trend of fertiliser consumption in modern agriculture, which is beneficial to the development of ecological fertiliser business of the Group. In order to achieve the strategic objective of developing the Group's fertiliser business at the forefront in the PRC, the Group continues to actively expand its production scale during the Period. The Group is building a new fertiliser production line at Ruichang City, Jiangxi Province with an annual capacity of 1.4 million tonnes, a self-owned cargo-handling terminal and its auxiliary facilities. The new production capacity of 1.4 million tonnes is primarily established for the Si-Mg compound fertiliser, water-soluble fertiliser and other new fertiliser products. Ruichang City, the location of the new production base, is an important industrial city of Jiangxi Province, adjacent to three coastal economic circles (the Yangtze River Delta, the Pearl River Delta, and south eastern part of Fujian), bordering the south shore of the Yangtze River, and connecting two major railway networks including Beijing – Kowloon Railway and the Beijing – Guangzhou Railway, leveraging on the convenience of water and land transportation. In addition, the Company utilized advanced technology on its new fertiliser production line, and thanks to the convenient adjacent water and land transportation, the cost of transportation and production could be reduced significantly. The first phase of the new fertiliser production line with an annual capacity of 800,000 tonnes is scheduled to be completed in 2018, and the second phase with an annual capacity of 600,000 tonnes is scheduled to be completed in 2019. The construction and enhancement of the project enable the Group to cover the sales network in southern market, and create synergy with the northern market of such products covered by the Jiangsu production base, such connection between the two markets contributes to the further development of sales network of the Group and enhance our client-base coverage.

In the meantime, through partial technology upgrade on existing facilities, the Group's production base in Jiangsu Province has successfully expanded its production lines with production capacity of 300,000 tonnes and commenced production in the first quarter of 2015. The annual capacity for the fertiliser business is expected to reach 850,000 tonnes this year, together with the newly built Jiangxi production base which has a production capacity of 1.4 million tonnes, the overall fertiliser production capacity could reach over 2 million tonnes in the future. The ecological fertiliser business will definitely catch up a promising development since healthy food industry and organic agricultural industry are becoming more popular in China.

As an industry leader in green ecological fertiliser, the Group actively implements capacity expansion. On 3 August 2016, after trading hours, the Group announced the signing of an acquisition agreement to acquire 50.5% equity interest in Shandong Hongri Acron Chemical Joint Stock Company, Ltd. ("Hongri Acron"), a well-known compound fertiliser enterprise in the PRC. Hongri Acron was established in 1965 and was formerly a state-owned enterprise before Acron Group, a renowned fertiliser producer in Russia, became its controlling shareholder in 2002. As an inventor of the potassium sulfate compound fertiliser technology and a leader in potassium sulfate compound fertiliser industry in the PRC, Hongri Acron has become a leading enterprise which is iconically known for its potassium sulfate compound fertiliser techonology in the PRC. Hongri Acron has 9 major production lines in place, mainly used for the processing and production of compound fertilisers with aggregate annual production capacity of approximately 820,000 tonnes. Hongri Acron possesses 5 self-invented technology patents in fertiliser production. Its well-known brands such as 艷陽天 (Yanyangtian) and 東方紅 (Dongfanghong) will provide competitive advantage to the Group in terms of product diversification and product complementarity. On 18 August 2016, Hongri Acron has carried out a production resumption ceremony. It is expected that 6 production lines will resume production this year and all of the 9 production lines will resume production in 2017. Hongri Acron has a solid and profound foundation. The acquisition of Hongri Acron by Century Sunshine will bring forth complementary impact and synergy with the technologies, markets and products of the Group's existing production bases in Jiangsu and Jiangxi Province, enabling the realisation of distribution and market coverage of our ecological compound fertiliser in northern, central and southern part of China, further enhance enterprise value, and rapidly gear up the business scale and growth of fertiliser business of the Group.

Magnesium Product Business

The magnesium products of the Group included basic magnesium products and rare earth magnesium alloys. For the six months ended 30 June 2016, the magnesium product business contributed HK$424,385,000 (2015: HK$379,473,000) of revenue to the Group, representing an increase of 11.8% year-on-year.

China ranks first in the world in terms of production volume, reserves volume and export volume for magnesium. According to statistics from ASKCI Consulting Co., Ltd., production volume for magnesium alloy in the PRC was 415,000 tonnes in 2015, with consumption at 300,000 tonnes. Magnesium is the lightest metallic structural material used in manufacturing industry; it also has a good recycling performance which makes it a new generation of "green" material. Magnesium alloy is mainly applied on transportation, die casting products such as casing and accessories of mobile phones and laptops, and with increasingly widespread applications in automotive and home appliances industries. Given the rapid growth of downstream demand, the status of magnesium alloy industry will grow significantly within the PRC economy. As a leading enterprise in the industry, the Group has invested heavily in the research and development of magnesium alloy projects since 2008. The Group currently holds a rich and quality reserve of dolomite mineral resource, a highly developed basic magnesium and magnesium alloy production base, and possesses a number of exclusive patents in high performance magnesium alloy manufacturing methods and technologies. Achieving fully in independent supply of upstream resources and downstream production capacity provides good conditions and driving forces for development of the magnesium product business.

Group Sense (International) Limited ("GSIL") (stock code: 601), a subsidiary of the Group, has an established magnesium and semi-coke production lines in Xinjiang with an annual production capacity of 15,000 tonnes and 600,000 tonnes respectively. During the Period, the magnesium production line has successfully commenced production after trial run. GSIL's production base in Xinjiang has a designed production capacity of magnesium up to 100,000 tonnes. Upon completion of expansion of its designed production capacity, the aggregate production capacity of the Group is expected to reach 175,000 tonnes in the future, which would further enhance the market position of the Group in the magnesium industry, as well as accelerate the growth of the overall performance of the Group's magnesium business, paving the way for the Group to become a global leader in the magnesium industry.

Other Businesses

Other businesses of the Group include metallurgical flux and electronic products. The Group owns quality serpentine reserves which is not only a key raw material to produce Si-Mg fertilisers, but is also an indispensable source of auxiliary material for iron and steel smelting. The Group sells a manageable amount of serpentine to major domestic steel enterprises for stable income, with prerequisite of an adequate and steady supply of raw material for the production of Si-Mg fertilisers.

Outlook

Technological revolution pushes forward constant transformation of new materials and products, which also accelerates industrial advancements and material replacements. The environmentally friendly characteristics of low-carbon, green and renewable materials are widely focused upon under the premise of the PRC's strong stance on energy conservation. As one of the PRC's seven emerging industries with strategic importance and one of ten prioritised industries set out in "Made in China 2025", new materials serve as the foundation for the entire manufacturing transformation and upgrading process. The PRC government put great emphasis on the development of new materials industry. Looking ahead, various measures towards promoting the development of new materials industry will be introduced. Magnesium alloy, being a top-rated new material, has huge development potential. Further, the PRC government is also actively promoting environmental protection, green living, organic agriculture as well as agricultural modernisation, bringing new business opportunities for the ecological fertiliser market.

The Group will make full use of its leading patented technologies and market advantage, to push forward the expansion of its magnesium product business and develop international markets for its magnesium product, and at the same time accelerate the expansion of its fertiliser production capacity. The Group expects that the PRC's economic growth will remain stable during the second half of the year while low-end products may come under pressure, therefore, the Group will continue implementing its product differentiation marketing strategy and strive to develop more high value-added, high-performance products to adequately cope with the market demand, in order to further secure a forefront position in the industry and create better returns for its shareholders.

Key Operational Data

Unaudited key operational data for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015, are as follows. Main businesses listed below contributed over 89% of the Group's total revenue for the Period.

(a) Sales volume:

	2016	2015	**Increase**
	Tonnes	Tonnes	**%**
Fertiliser business	**321,847**	297,150	**8.3**
Magnesium product business	**16,013**	11,184	**43.2**

(b) Average selling price:

	2016 **HK$/Tonnes**	2015 HK$/Tonnes	**Decrease** **%**
Fertiliser business	**2,119**	2,447	**(13.4)**
Magnesium product business	**25,510**	32,768	**(22.1)**

(c) Gross profit margin:

	2016 **%**	2015 %	**Decrease** **Percentage points**
Fertiliser business	**27.6**	28.5	**(0.9)**
Magnesium product business	**30.7**	34.9	**(4.2)**
The Group's gross profit margin	**30.0**	32.2	**(2.2)**

FINANCIAL REVIEW

Operating income and gross profit

For the six months ended 30 June 2016, the Group achieved total revenue of approximately HK$1,236,142,000, representing a year-on-year growth of 2.7%. Revenue derived from the two main businesses of the Group, being fertiliser and magnesium product businesses, amounted to HK$681,960,000 and HK$424,385,000 respectively, accounting for approximately 89.5% of the total revenue.

Revenue from fertilisers business decreased by 6.2% year-on-year to HK$681,960,000, this mainly due to the depreciation of RMB, should this factor be excluded, revenue for fertilisers is similar to last year. During the Period, prices of compound fertilisers have been suffering from market fluctuation and dropped by around 10.6%, but the overall quantity sold increased by around 8.3%, thereby compensating the decrease in revenue. As a result of the decrease in the price of compound fertilisers, gross profit margin of fertiliser business slightly dropped by around 0.9 percentage points.

Magnesium product business recorded a rise of around 11.8% year-on-year to HK$424,385,000, if excluding effect of RMB depreciation, the rise would be almost 18.9% year-on-year. This was mainly due to the increase in sales volume of around 43.2%. During the Period, the Group has started the magnesium products trading business, expanding source of income to the Group. Quantity sold for basic magnesium products increased by around 76.0% year-on-year. As a result of increase in the weighting of the basic magnesium products, the overall selling price and gross profit margin of magnesium products decreased by around 22.1% and 4.2 percentage points respectively.

Selling and marketing cost

Selling and marketing cost account for approximately HK$40,605,000, representing a decrease of approximately 16.1% year-on-year. Selling and marketing cost mainly comprised of transportation, salaries and commission. The decrease was mainly due to the sales volume of metallurgical flux decreased which resulted in lower transportation cost.

Administrative expenses

For the six months ended 30 June 2016, administrative expenses of the Group amounting to approximately HK$73,141,000, representing a year-on-year increase of approximately 10.1%. Administrative expenses mainly comprised of staff remuneration, depreciation and amortisation, audit and professional fees, research and development expenses and rental costs. Increase in the administrative expenses was mainly resulted from accounting for GSIL.

The group completed the acquisition of GSIL at the end of February 2015, which further acquired a magnesium business in Xinjiang at the end of 2015 and commenced operation during the Period, thereby increased the administrative expenses.

Exchange difference

During the Period, there was a significant fluctuation in Renminbi and Singapore dollars (for which, Singapore dollar rose by over 5% as compared to the beginning of the year), resulting in a net realised and unrealised exchange loss of approximately HK$37,853,000 sustained by the Group. This was mainly resulted from the re-translation of the Singapore listed subordinated notes at the period end according to the accounting standards. The notes are maturing in June 2018, therefore, the exchange loss is an unrealised loss. The unrealised exchange loss does not have any immediate adverse cash outflow effects on the Group. The Group will review and assess the foreign currency risk from time to time in order to minimize any exchange loss that may be crystallised.

Other income and gains

Other income and gains accounting for approximately HK$34,031,000, representing a year-on-year increase of approximately 114.4%, this mainly comprise of interest income and sales of scrap of approximately HK$12,827,000 and HK$7,898,000 respectively.

Interest expenses

Total interest expenses for the six months ended 30 June 2016 amounting to approximately HK$59,508,000, representing approximately 59.5% increase year-on-year. The increase mainly derived from the Singapore listed subordinated notes, which were issued in June and August 2015. Interest expense for this Singapore listed subordinated notes accounting to approximately HK$27,874,000 (2015: approximately HK$2,476,000). Interest expenses accounted for 4.8% of total revenue (2015: 3.1%).

Margin

Profit after tax for the six month ended 30 June 2016 of the Group is approximately HK$128,548,000, represent a year-on-year decrease of approximately 36.4%, which was mainly due to the unrealised exchange loss and additional fixed cost from new business acquired as mentioned above. The overall gross profit margin for operating business dropped by approximately 2.2 percentage points only. The unrealised exchange loss does not have any immediate adverse cash outflow effects on the Group. Should the US Federal Reserve increase the interest rate in the coming period, US dollars will probably appreciate against Singapore dollars and thereby narrowing the relevant unrealised exchange loss. The Group will review and assess the foreign currency risk from time to time in order to minimise any exchange loss that may be crystallised. Besides, upon the successful launching of new business, it is expected that production and sales quantity will increase steadily, achieving economies of scale to contribute to increase of gross profit and improving the performance in latter half of 2016.

Liquidity, Liabilities and Financial Resources

The Group's liquidity was mainly derived from cash generated from operating activities and financing activities. As at 30 June 2016, total amount of cash and bank balances of the Group was approximately HK$1,803,651,000 (as at 31 December 2015: approximately HK$1,452,515,000).

As at 30 June 2016, the Group's total borrowings and net current assets increased by approximately 19.2% and 10.5% respectively as compared to that as at 31 December 2015. The Group's gearing ratio (calculated by total borrowings over total assets) was approximately 31.5% as at 30 June 2016 (as at 31 December 2015: approximately 27.7%).

The Group's existing cash resources together with the steady cash flows generated from operating activities are sufficient to meet its business needs.

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 primarily with respect to HK$, Renminbi, US$, Singapore dollars and Australian dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group does not presently hedge the foreign exchange risks. The Group will periodically review 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 2016, the Group had pledged its property, plant and equipment, land use rights and deposits with banks with carrying amount of approximately HK$157,143,000, HK$118,756,000 and HK$20,000,000 respectively (as at 31 December 2015: approximately HK$163,650,000, HK$114,167,000 and HK$24,580,000 respectively) to secure bank borrowings.

Significant transactions

(a) On 26 April 2016 (after trading hours), the Company, as issuer, Wan Tai Investments Limited, an indirectly and wholly-owned subsidiary of CCB International (Holdings) Limited, as investor, and Mr. Chi, as obligor, entered into a subscription agreement for the issuance of a fixed rate exchangeable bonds in the principal amount of HK$232,000,000. Details of which, please refer to the relevant amounts on the HKEX and the company's website. The relevant exchangeable bonds were issued on 4 May 2016.

(b) On 3 August 2016 (after trading hours), Long Xiang Enterprises Limited (a direct wholly-owned subsidiary of the Company, as the Purchaser), entered into an acquisition agreement with Prosperous Rich Holdings Limited (a company indirectly held by the Company's former executive director, Mr. Yang Yuchuan, as the Vendor) and Acronagrotrans Ltd (as the Target Company, which directly holds 50.5% interests in Hongri Arcon), 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. Details of which, please refer to the relevant amounts on the HKEX and the company's website made on 4 August 2016.

Contingent liabilities

As at 30 June 2016, the Company did not have any significant contingent liabilities.

Capital Structure

As at 30 June 2016, the issued share capital of the Company were HK$91,959,537, divided into 4,597,976,843 shares of HK$0.02 each (As at 31 December 2015: the issued share capital of the Company were HK$92,189,737, divided into 4,609,486,843 shares of HK$0.02 each).

Human resources

The number of employees of the Group was approximately 2,340 as at 30 June 2016 (as at 31 December 2015: 2,430). 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 contribution retirement plans, 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.

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

During the Period, the Company repurchased 11,510,000 ordinary shares of HK$0.02 each of the Company at an aggregate consideration of HK$4,210,950 before expenses at prices ranging from HK$0.345 to HK$0.395 per share on the Stock Exchange. The repurchased shares were subsequently cancelled on 26 February 2016. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company. The repurchases were effected by the Board pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, 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, the Company has complied with the code provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, with the following deviations:

(a) 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 19 May 2016 as he was obliged to be away for a business trip on that date. Mr. Shum Sai Chit, executive Director of the Company, attended the said annual general meeting to answer questions from shareholders.

(b) Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Guo Mengyong (being a non-executive Director), Mr. Kwong Ping Man and Mr. Sheng Hong (being independent non-executive Directors) were unable to attend the annual general meeting held on 19 May 2016 as they were obliged to be away for business trips.

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.

AUDIT COMMITTEE

The Audit Committee was established in January 2004. As at 30 June 2016, the Audit Committee has three members, namely Mr. Kwong Ping Man, Mr. Sheng Hong and Mr. Lau Chi Kit. 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 2016, 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 2016 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. Shum Sai Chit, Mr. Sheng Hong and Mr. Lau Chi Kit, 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 Order of the Board
Shum Sai Chit
Executive Director

Hong Kong, 31 August 2016

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

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