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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board" or the "Director(s)") of Century Sunshine Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 together with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000 (Restated)
Revenue	*3*	**2,589,221**	2,515,602
Cost of sales		**(1,829,360)**	(1,729,567)
Gross profit		**759,861**	786,035
Gain on bargain purchase		**—**	28,746
Other gains or losses, net	*5*	**57,399**	35,381
Selling and marketing costs		**(93,911)**	(113,406)
Administrative expenses		**(159,379)**	(139,742)
Net realised and unrealised gain on investments held for trading		**8,791**	6,875
Share of profits and losses of joint ventures		**1,695**	1,760
Impairment of investment in a joint venture		**—**	(180)
Share of loss of an associate		**(1)**	(4)
Finance costs	*6*	**(117,564)**	(87,390)
Profit before income tax		**456,891**	518,075
Income tax expense	*7*	**(143,839)**	(155,006)
Profit for the year	*8*	**313,052**	363,069

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
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 investments during the year		**(3,138)**	(22,012)
Reclassification adjustments relating to disposal of available-for-sale investments during the year		**(2,419)**	—
Exchange differences arising from translation of foreign operations		**(279,303)**	(141,958)
Other comprehensive expenses for the year (net of income tax)		**(284,860)**	(163,970)
Total comprehensive income for the year		**28,192**	199,099
Profit for the year attributable to:			
Owners of the Company		**302,334**	314,479
Non-controlling interests		**10,718**	48,590
		313,052	363,069
Total comprehensive income for the year attributable to:			
Owners of the Company		**44,908**	173,586
Non-controlling interests		**(16,716)**	25,513
		28,192	199,099
			(Restated)
Earnings per share:			
- basic (HK cents)	*10(a)*	**6.57 cents**	7.45 cents
- diluted (HK cents)	*10(b)*	**6.57 cents**	7.33 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Non-current assets			
Land use rights		**206,746**	172,739
Property, plant and equipment		**2,093,569**	1,863,009
Investment properties		**114,001**	125,436
Goodwill		**197,368**	197,144
Intangible assets		**717**	1,674
Mining rights		**466,741**	512,075
Payment for acquisition of patents		**50,049**	53,703
Deposits for acquisition of property, plant and equipment		**372**	10,688
Investments in joint ventures		**5,362**	4,290
Investment in an associate		**17**	18
Available-for-sale investments		**6,840**	116,418
Pledged bank deposits		**31,587**	—
		3,173,369	3,057,194
Current assets			
Available-for-sale investments		**70,632**	10,842
Inventories		**227,387**	248,241
Land use rights		**4,723**	4,420
Trade and other receivables, prepayments and deposits	11	**856,906**	607,036
Income tax recoverable		**1,706**	1,826
Investments held for trading		**10,415**	38,726
Derivative financial assets		**—**	7
Amount due from a joint venture		**133**	885
Bank and cash balances		**901,198**	1,452,515
		2,073,100	2,364,498
Less: Current liabilities			
Trade and other payables	12	**294,447**	335,408
Income tax payable		**31,075**	31,670
Borrowings		**320,665**	152,810
Derivative financial liabilities		**32,600**	—
Convertible bonds		**—**	198,335
		678,787	718,223
Net current assets		**1,394,313**	1,646,275
Total assets less current liabilities		**4,567,682**	4,703,469

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Less: Non-current liabilities			
Deferred revenue		**66,176**	69,552
Other payable	*12*	**121,000**	110,000
Exchangeable bonds		**208,504**	—
Borrowings		**1,011,457**	1,043,062
Deferred tax liabilities		**106,079**	116,333
		1,513,216	1,338,947
Net assets		**3,054,466**	3,364,522
Capital and reserves attributable to owners of the Company			
Share capital		**101,756**	101,986
Reserves		**2,610,945**	2,856,310
		2,712,701	2,958,296
Non-controlling interests		**341,765**	406,226
Total equity		**3,054,466**	3,364,522

Notes:

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 ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were withdrawn from the GEM Board on 31 July 2008. Since 1 August 2008, the Company's shares have been listing on the Main Board of the Stock Exchange. In the opinion of the directors, the ultimate holding company of the Company is Alpha Sino International Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2016.

HKFRSs (Amendments)	Annual Improvement to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

Annual Improvements to HKFRSs 2012—2014 Cycle

The Annual Improvements to HKFRSs 2012—2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments shall be applied prospectively.

The amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for postemployment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in opening retained earnings of the earliest comparative period presented.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere in the interim financial report. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The application of the said amendments to HKFRSs has had no material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 12 Disclosure of Interests in Other Entities and HKAS 28 Investments in Associates and Joint Ventures clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 has had no material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 regarding impairment testing of a cash-generating unit ("CGU") to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The application of these amendments to HKFRS 11 has had no material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The application of these amendments to HKAS 1 has had no material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or

- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its plant and equipment. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the application of these amendments to HKAS 16 and HKAS 38 has had no material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with HKFRS 9 Financial Instruments (or HKAS 39 for entities that have not yet adopted HKFRS 9); or
- using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

The application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
HKFRS 2 (Amendments)	Clarification and Measurement of Share-based Payment Transaction[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKFRS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

Amendments to HKFRS 10 and HKAS 28 ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs, will have a significant impact on the Group's financial performance and position.

3. REVENUE

The Group is principally engaged in fertiliser business, magnesium product business, metallurgical flux business and electronic product business. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of fertilisers	**1,399,088**	1,523,281
Sales of magnesium products	**910,984**	760,502
Sales of metallurgical flux products	**47,494**	72,913
Sales of electronic products	**231,655**	158,906
	2,589,221	2,515,602

4. 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.

Segment Revenue and Results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 31 December 2016:

	Fertiliser business	Magnesium product business	Metallurgical flux business	Electronic product business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**1,399,088**	**910,984**	**62,882**	**231,655**	**2,604,609**
Inter-segment revenue	**—**	**—**	**(15,388)**	**—**	**(15,388)**
Revenue from external customers	**1,399,088**	**910,984**	**47,494**	**231,655**	**2,589,221**
Segment results	**351,118**	**263,112**	**22,773**	**(12,632)**	**624,371**
Other income, net					**54,458**
Central administrative costs					**(106,068)**
Share of profit and losses of joint ventures					**1,695**
Share of loss of an associate					**(1)**
Finance costs					**(117,564)**
Profit before income tax					**456,891**

For the year ended 31 December 2015:

	Fertiliser business HK$'000	Magnesium product business HK$'000	Metallurgical flux business HK$'000	Electronic product business HK$'000	Total HK$'000 (Restated)
Segment revenue	1,523,281	760,502	87,070	158,906	2,529,759
Inter-segment revenue	—	—	(14,157)	—	(14,157)
Revenue from external customers	1,523,281	760,502	72,913	158,906	2,515,602
Segment results	368,606	258,087	27,952	(30,519)	624,126
Other income, net					29,202
Gain on bargain purchase		28,746			28,746
Central administrative costs					(78,364)
Gain on disposal of a subsidiary					179
Share of profits and losses of joint ventures					1,760
Impairment of investment in a joint venture					(180)
Share of loss of an associate					(4)
Finance costs					(87,390)
Profit before income tax					518,075

Segment revenue reported above represents revenue generated from external customers. 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, other net income, gain on bargain purchase, gain on disposal of a subsidiary, share of profit and losses of joint ventures, impairment of investment in a joint venture, share of loss of an associate, 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.

Segment Assets and Liabilities

The segment assets and liabilities as at 31 December 2016 and capital expenditure for the year then ended by reportable segments are as follows:

	Fertiliser business	Magnesium product business	Metallurgical flux business	Electronic product business	Total segment	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**1,331,615**	**1,899,550**	**645,179**	**198,233**	**4,074,577**	**1,171,892**	**5,246,469**
Segment liabilities	**384,707**	**466,808**	**154,745**	**212,809**	**1,219,069**	**972,934**	**2,192,003**
Capital expenditure	**402,934**	**86,573**	**11,019**	**908**	**501,434**	**30,656**	**532,090**

The segment assets and liabilities as at 31 December 2015 and capital expenditure for the year then ended by reportable segments are as follows:

	Fertiliser business	Magnesium product business	Metallurgical flux business	Electronic product business	Total segment	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)					*(Restated)*
Segment assets	954,080	1,772,216	692,714	210,163	3,629,173	1,792,519	5,421,692
Segment liabilities	124,189	583,864	155,686	239,308	1,103,047	954,123	2,057,170
Capital expenditure	145,118	61,593	19,249	1,808	227,768	582	228,350

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to reportable segments other than investment properties, investments held for trading, bank and cash balances and other assets for corporate use which including property, plant and equipment, intangible assets and other receivables; and

— all liabilities are allocated to reportable segments other than derivative financial liabilities, exchangeable bonds, borrowings for corporate use and other payables.

Capital expenditure comprises additions to property, plant and equipment and land use rights. Except for the additions to certain property, plant and equipment for administrative purposes, all the capital expenditure was allocated to segments.

Other Segment Information

For the year ended 31 December 2016:

	Fertiliser business *HK$'000*	Magnesium product business *HK$'000*	Metallurgical flux business *HK$'000*	Electronic product business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment and investment properties	58,697	30,154	11,495	7,146	5,568	113,060
Amortisation of land use rights, mining rights and intangible assets	824	2,988	2,062	879	9,565	16,318
Impairment of development costs	—	—	—	359	—	359
Provision for inventories	—	—	—	7,058	—	7,058
Product warranty provision	—	—	—	349	—	349
Reversal of unutilised product warranty provision	—	—	—	(72)	—	(72)
Impairment of an available-for-sale investment	—	—	—	—	460	460
Reversal of written off of other receivables	—	—	—	(5,495)	—	(5,495)
Reversal of impairment and written off of trade receivables	—	(279)	—	—	—	(279)
Impairment of trade receivables	—	192	—	592	—	784
(Gain)/loss on disposal of property, plant and equipment	(225)	—	62	(89)	(5)	(257)
Net realised and unrealised gain on investments held for trading	—	—	—	—	(8,791)	(8,791)
Write-back of long-aged accruals	—	(3,059)	—	—	—	(3,059)
Income tax expenses	81,837	56,790	4,812	(27)	427	143,839

For the year ended 31 December 2015:

	Fertiliser business *HK$'000*	Magnesium product business *HK$'000*	Metallurgical flux business *HK$'000*	Electronic product business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment and investment properties	43,785	11,731	10,428	5,945	6,996	78,885
Amortisation of land use rights, mining rights and intangible assets	226	2,197	13,808	904	377	17,512
Impairment of development costs	—	—	—	599	—	599
Impairment of inventories	—	—	—	2,374	—	2,374
Product warranty provision	—	—	—	249	—	249
Reversal of unutilised product warranty provision	—	—	—	(500)	—	(500)
Reversal of impairment of trade receivables	—	—	—	(229)	—	(229)
Impairment of trade receivables	—	—	—	206	—	206
Gain on disposal of property, plant and equipment	—	(169)	(37)	(2)	(82)	(290)
Realised and unrealised gain on investments held for trading	—	—	—	—	(6,875)	(6,875)
Income tax expense	89,040	57,386	5,643	(37)	2,974	155,006

Geographical Information

During the years ended 31 December 2016 and 2015, the Group mainly operated in the PRC and most of the Group's revenue are derived from the PRC and most of non-current assets of the Group are located in the PRC as at 31 December 2016 and 31 December 2015. No analysis of the Group's result and assets by geographical area is disclosed.

Information about Major Customers

No information about major customers is presented as no single customer contributed over 10% of the total revenue of the Group during the years ended 31 December 2016 and 2015.

5. OTHER GAINS OR LOSSES, NET

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Interest income	**23,970**	12,094
Dividend income	**184**	200
Gain on disposal of available-for-sale investments	**2,848**	—
Gain on disposal of property, plant and equipment	**257**	—
Government subsidy	**2,198**	—
Change in fair value of financial derivatives	**(487)**	(236)
Impairment of an available-for-sale investment	**(460)**	—
Sundry income	**11,104**	7,692
Sales of scrap materials	**14,056**	11,679
Service fee income	**3,729**	3,773
Gain on disposal of a subsidiary	**—**	179
	57,399	35,381

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on convertible bonds	**13,408**	37,703
Interest expenses on listed subordinated notes	**55,986**	27,835
Interest expenses on exchangeable bonds	**23,375**	—
Interest on borrowings wholly repayable within five years	**24,795**	14,086
Interest on borrowings wholly repayable after five years	**9,083**	17,390
Total borrowing costs	**126,647**	97,014
Less: amount capitalised in the cost of qualifying assets	**(9,083)**	(9,624)
	117,564	87,390

7 INCOME TAX EXPENSE

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

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
— Hong Kong Profits Tax	**—**	2,974
— PRC Enterprises Income Tax	**146,287**	155,474
— Others	**22**	13
	146,309	158,461
Deferred taxation	**(2,470)**	(3,455)
	143,839	155,006

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the years ended 31 December 2016 and 2015. No tax is payable for the year ended 31 December 2016 (2015: HK$2,974,000) since there was no assessable profit generated in Hong Kong.

(b) The PRC Enterprise Income Tax

The PRC Enterprise Income Tax is calculated at 25% on the estimated assessable profits arising in the PRC for the years ended 31 December 2016 and 2015.

8. PROFIT FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Wages and salaries	**188,443**	185,686
Share options granted to directors and employees	**1,075**	2,528
Payment to defined contribution retirement plans	**8,816**	7,038
Total staff costs (including directors' emoluments)	**198,334**	195,252
Auditors' remuneration		
Audit and audit related work		
— HLB Hodgson Impey Cheng Limited	**3,573**	1,649
— other auditor	**1,700**	2,810
Non-audit work		
— HLB Hodgson Impey Cheng Limited	**184**	184
— other auditor	**—**	—
Depreciation and amortisation	**129,378**	96,397
Net gain on disposal of property, plant and equipment	**(257)**	(290)
Realised gain on investments held for trading	**(9,568)**	(2,196)
Unrealised loss/(gain) on investments held for trading	**777**	(4,679)
Cost of inventories recognised as an expense	**1,616,840**	1,524,007
Operating lease rentals in respect of land and buildings	**7,495**	7,350
Impairment of investment in a joint venture	**—**	180
Impairment of development costs	**359**	599
Provision for inventories	**7,058**	2,374
Product warranty provision	**349**	249
Write-back of long-aged accruals	**(3,059)**	—
Reversal of unutilised warranty provision	**(72)**	(500)
Reversal of impairment of and written off of trade receivables	**(279)**	(229)
Impairment of trade receivables	**784**	206
Reversal of written off of other receivables	**(5,495)**	—
Impairment of an available-for-sale investment	**460**	—
Research and development expenses:		
Development costs amortised	**397**	511
Impairment of development costs	**359**	599
Current year expenditure	**19,342**	17,524
Gain on bargain purchase	**—**	(28,746)

9. DIVIDEND

a) The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: the directors of the Company proposed final dividend of 1.3HK cents per ordinary share, totalling HK$59,774,000).

b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2016	2015
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2015 final dividend of 1.3 HK cents per ordinary share (2015: 2014 final dividend of 0.5 HK cents per ordinary share)	**59,774**	21,797

During the year ended 31 December 2015, bonus issue of 217,967,890 ordinary shares was also distributed on the basis of 1 new share for every 20 existing ordinary shares on the record date as declared for the year ended 31 December 2014. No bonus issue was declared in 2015.

10. EARNINGS PER SHARE

(a) Basic

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

	2016	2015
		(Restated)
Profit for the year attributable to owners of the Company (HK$'000)	**302,334**	314,479
Weighted average number of ordinary shares in issue (thousand shares)	**4,599,751**	4,219,571
Basic earnings per share (HK cents per share)	**6.57**	7.45

(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.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of shares for the year ended 31 December 2016.

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

	2016	2015 *(Restated)*
Profit for the year attributable to owners of the Company (HK$'000)	**302,334**	314,479
Weighted average number of ordinary shares in issue (thousand shares)	**4,599,751**	4,219,571
Adjustment for share options (thousand shares)	**—**	72,364
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**4,599,751**	4,291,935
Diluted earnings per share (HK cents per share)	**6.57**	7.33

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 ***HK$'000***	2015 *HK$'000*
Trade receivables	**448,255**	472,719
Impairment	**(547)**	(206)
	447,708	472,513
Bills receivables	**8,673**	4,597
Prepayments and deposits	**149,196**	90,394
Other receivables	**250,002**	34,075
Deposits placed with financial institutions	**1,327**	5,457
	856,906	607,036

As at 31 December 2016, the ageing analysis of the trade receivables of the Group presented based on the invoice date was as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**168,567**	153,993
31 to 60 days	**174,199**	134,466
61 to 90 days	**84,808**	148,799
Over 90 days	**20,134**	35,255
	447,708	472,513

12. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**83,230**	104,520
Receipts in advance	**56,829**	33,358
Provision	**933**	945
Accruals and other payables	**274,455**	306,585
	415,447	445,408

	2016	2015
	HK$'000	*HK$'000*
		(Restated)
Current	**294,447**	335,408
Non-current	**121,000**	110,000
	415,447	445,408

As at 31 December 2016, the ageing analysis of trade payables of the Group presented based on the invoice date was as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**44,527**	83,409
31 to 60 days	**17,716**	5,127
61 to 90 days	**5,084**	5,694
Over 90 days	**15,903**	10,290
	83,230	104,520

13. RESTATEMENT DERIVED FROM BUSINESS COMBINATION

On 15 December 2015, the Group acquired the entire interest in Xinjiang Tengxiang Magnesium Products Company Limited ("Xinjiang Tengxiang") from independent third parties. Xinjiang Tengxiang is engaged in the production and trading of magnesium ingots and semi coke. The acquisition was made as part of the Group's strategy to enhance long-term growth potential of the Group. The purchase consideration for the acquisition was in the form of cash and the unpaid amount was recorded as other payable as at 31 December 2015.

The gain on bargain purchase recognised in the 2015 financial statements were based on a provisional assessment on the purchase consideration. Pursuant to the sale and purchase agreement entered into by the Group and the sellers, the purchase consideration shall be adjusted by the operating gain or loss of Xinjiang Tengxiang for the period from 1 May 2015 to the completion date. The negotiation of the adjustments to the purchase consideration with the sellers had not been completed by the date the 2015 financial statements were approved for issue by the directors.

During the year, the Group has completed the negotiation of adjustments to the purchase consideration with the sellers. In accordance with the supplemental agreement agreed by the Group and the sellers, the purchase consideration for the acquisition was finalised at RMB54,482,000 (equivalent to approximately HK$66,027,000), resulting in a decrease of RMB17,794,000 over the provisional value and increase in gain on bargain purchase of the same amount. The 2015 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a reduction on the consideration payable of HK$21,184,000 as at 31 December 2015, an increase in the gain on bargain purchase of HK$21,564,000 and decrease in the foreign exchange gain of HK$380,000 arising from the retranslation of consideration payable for the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2016, both the global economy and the financial market have experienced severe volatility, while the global economic development slowed down due to a succession of Black Swan events. The accelerated increase in US Federal Funds Rate casted direct impact on the investors' confidence, which became the principal trigger of the global financial market fluctuation; furthermore, the unexpected Brexit has a far-reaching impact over the worldwide political and economic pattern, and at the same time adversely affected the financial market. While debt risks all over the world is on the rise, the problem is the most acute for the emerging markets. Under the gloomy global economy, China recorded a merely 6.7% GDP growth rate in 2016, showing signs of an economic slowdown once again. Against such unfavorable market backdrop, the Group was able to proactively pursue a steady advancement relentlessly and to going against the current, with our two core businesses achieving a stable growth during the year in midst of a troubled market.

During the year ended 31 December 2016, the Group recorded an overall increase in revenue of 2.9% to HK$2,589,221,000 (2015: HK$2,515,602,000), with gross profit margin recorded at 29.3% (2015: 31.2%). Revenue from the fertiliser business was HK$1,399,088,000 (2015: HK$1,523,281,000), representing a year-on-year decrease of 8.2%, and accounted for 54.0% of the total revenue of the Group (2015: 60.6%); revenue from the magnesium product business was HK$910,984,000 (2015: HK$760,502,000), representing a year-on-year increase of 19.8%, and accounted for 35.2% of the total revenue of the Group (2015: 30.2%).

Fertiliser Business

The Group has two major fertiliser products, namely compound fertilisers and organic fertilisers. During the year ended 31 December 2016, the fertilizer business contributed approximately HK$1,399,088,000 to the Group's revenue (2015: HK$1,523,281,000), representing a year-on-year increase in sales volume of 4.6% to 692,197 tonnes (2015: 661,748 tonnes), with an average gross profit margin of 28.4% (2015: 27.9%). Sales revenue recorded a year-on-year decrease due to the fall of global commodity prices and the depreciation of RMB during the year. Nevertheless, the business still recorded a year-on-year increase in sales volume and a steady increase in gross profit margin.

During the year, the PRC government continued to promote the use of environmental-friendly highly-effective new fertilisers, resulting in a satisfactory sales record of several well-known brands of the Group, including "Lu Di", "Le He He", "Zhan Lan" and "Feng Shou". In addition to benefiting from the national policies, the construction of several major projects of the Group has also picked up the pace. During the year, the annual production capacity of Jiangsu production base reached 850,000 tonnes, and the construction of phase one production line in Jiangxi Province with an annual production capacity of 1,400,000 tonnes, has moved ahead considerably as compared to the scheduled commencement in 2018. The Group estimates that the phase one production line may commence production in the third quarter of 2017, with a fertiliser production capacity of 550,000 tonnes, including the series products of 400,000 tonnes of high tower fertiliser and 150,000 tonnes of compound fertiliser, while the remaining production capacity of 850,000 tonnes is expected to materialize in 2019. Ruichang City is an important industrial town in Jiangxi Province; adjacent to the three major coastal economic circles, namely the Yangtze River Delta, the Pearl River Delta and the Southeastern Fujian Area, it lays on the southern shore of the Yangtze River, and is connected through the two major railway network, namely the Beijing-Kowloon Railway and the Beijing-Guangzhou Railway, which provide convenient water and land transportation and thus lower the transportation costs; the advanced technology of the new production line with the specific facilitated container terminal also lowers the logistics and production costs effectively.

In order to enhance the presence and market penetration rate of the ecological compound fertiliser business of the Group in the Northern, Central and Southern China production bases, as well as to expand the operation scale of the Group and to speed up the growth of our fertiliser business, the Group entered into an acquisition agreement to acquire 50.5% equity interest in Shandong Hongri Chemical Joint Stock Company., Ltd. (hereinafter referred to as "Hongri Chemical") which is well-established with over 50 years of operating history. Hongri Chemical is the inventor of sulphur-based compound fertiliser, and is known as the "father of sulphur-based compound fertiliser" of China. Hongri Chemical is the first chemical enterprise in China to be named as the "Top Ten Outstanding After-sale Service Provider of National Famous Brands (全國名優產品售後服務行業十佳單位)", as well as the first "National Agricultural-Chemical Service Center (全國化工農化服務中心)" in Shandong Province. It is also a recognized provincial "Enterprise Development Center (企業開發中心)" in Shandong Province, and holds multiple proprietary technologies, especially the well-known brands "艷陽天 (Yanyangtian)" and "東方紅 (Dongfanghong)" which enjoy strong market reputation and brand influence, and are popular among the consumers. During the year, Hongri Chemical carried out full inspection, and successfully resumed normal production. It is expected to reach a sales volume of approximately 700,000 tonnes of compound fertiliser products in 2017.

The conditions precedent to the acquisition of Hongri Chemical have been satisfied and the resolution was passed to the Board for consideration and approval on 29 March 2017. The transaction will be completed and Hongri Chemical will be merged into the Group with effect from 1 April 2017 according to the terms of the acquisition agreement.

The Group believes that, with the gradual release of capacity at our two production bases in Jiangsu and Jiangxi Province, along with the official incorporation of Hongri Chemical into the Group, the fertiliser production capacity of the Group shall increase by at least three-fold compared to the current scale of production, thus successfully promote the soaring development of the Group's fertiliser business.

Magnesium Product Business

The magnesium products of the Group included basic magnesium products and rare earth magnesium alloys. For the year ended 31 December 2016, the magnesium product business contributed HK$910,984,000 (2015: HK$760,502,000) to the revenue of the Group. During the year, sales volume recorded 36,201 tonnes (2015: 24,031 tonnes), while the overall sales volume of magnesium product has recorded a significantly increase of 50.6% year-on-year. Furthermore, the Xinjiang base has commenced production during the year, as the Xinjiang base mainly produce basic magnesium products, the gross profit margin of magnesium business has been diluted to 20.9% (2015: 34.2%) due to the significant year-on-year increase of 98.1% in sales volume of this kind of products. In the circumstances where the selling prices remain stable, a 19.8% growth of sales revenue in magnesium product business is recorded.

Magnesium alloy is considered to be the green lighweight alloy structured material with the greatest potential in terms of development, and is significant to green products development and design. Magnesium is mainly applied in the transportation industry such as automotive and 3C electronic products. Given the rapid growth of downstream demand, the status of magnesium alloy industry will rise significantly within the PRC economy. With her rich reserve of magnesium resource, China ranks first in the world in terms of production volume and export volume for magnesium, which foretold the massive growth potential of the magnesium business. The Group has invested heavily in the research and development of magnesium alloy projects since 2008, and has become the leading enterprise within the industry. The Group currently holds a rich and high-quality reserve of dolomite mineral resource in Baishan City, Jilin Province, and has completed the construction of a highly developed basic magnesium and magnesium alloy production base with an annual production capacity of 25,000 tonnes in 2016, the phase two expansion project with a capacity of 50,000 tonnes is basically completed, with its newly added production lines to gradually commence trial operation.

Besides, Group Sense (International) Limited ("GSIL"), 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 year, the production line of magnesium alloys has successfully commenced production after the renovation and adjustments.The production base in Xinjiang has the official right to produce 100,000 tonnes magnesium alloys as approved by the government. Upon completion of the expansion project, along with its existing production capacity, the aggregate production capacity of magnesium alloys of the Group is expected to reach 175,000 tonnes in the future, coupled with a number of patents in high performance magnesium alloy manufacturing methods and technologies held by the Group, we have achieved mutual integration of the independent supply of upstream raw material resources and downstream production capacity, which provides good conditions and driving forces for the development of magnesium product business and would further enhance the market status of the Group within the magnesium industry, as well as accelerate the growth of the overall performance of the Group's magnesium business.

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 continuous and stable income, with prerequisite of an adequate and steady supply of raw material for the production of Si-Mg fertilisers.

Prospect

Looking forward in 2017, fluctuation in the global economy from 2016 shall remain with even more uncertainties ahead, imposing pressure on the operation of various industries. However, with rapid expansion in respect of our two core businesses, the Group is expecting to enjoy benefits from the postive national policies that actively encourage agricultural modernization and application of new material. Among such policies, the Ministry of Industry and Information Technology (MIIT) has issued the "Guidance on Prompting the Restructuring and Development of Fertiliser Industry (推進化肥行業轉型發展的指導意見)", which mentioned that utilisation of the new type of fertiliser in China will increase from less than 10% at present to 30% by 2020, creating a massive market space for the green and ecological new fertilisers of the Group. On the other hand, the "Development Plan of the Nonferrous Metal Industry (2016-2020) (有色金屬工業發展規劃(2016-2020年))" encourages and supports the extensive application of nonferrous metals, including the magnesium alloy materials. The Group will continue to enhance the operational efficiency of the magnesium business, and further facilitate the integration of the Group's magnesium business and continuously optimise resources allocation, so as to enhance the core competitiveness of the Group.

The Group believes that with the gradual implementation of the national industrial policies, along with better understanding of the market on new fertilisers and new magnesium alloy materials, demands of our products will continue to grow and drives the business development of the Group. To sufficiently grasp the market share, the Group will leverage on our advance proprietary technologies and market advantages of the brands to expand the productivity and strategize the market layout, and to implement our marketing strategy of product differentiation, to research and development more high-function high value-added products to meet the market demand, so as to further solidify the leading status of our products within the high-end market.

Looking forward, the Group shall capture the ideal development opportunities to accelerate its market penetration and release of production capacity, and continue to pursue the strategic objective of promoting the two core businesses to the forefront of the industries in China, and to create abundant returns for our shareholders.

Key Operational Data

Unaudited key operational data for the year ended 31 December 2016, together with the comparative figures for the corresponding period in 2015, is as follows. Main businesses listed below contributed over 88% of the Group's total revenue for the year ended 31 December 2016.

(a) Sales volume of major products:

	2016	2015	**Increase**
	Tonnes	*Tonnes*	*%*
Fertiliser business	**692,197**	661,748	4.6
Magnesium product business	**36,201**	24,031	50.6

(b) Average selling price of major products:

	2016	2015	**Decrease**
	HK$/Tonnes	*HK$/Tonnes*	*%*
Fertiliser business	**2,021**	2,301	(12.2)
Magnesium product business	**24,388**	30,806	(20.8)

(c) Gross profit margin:

	2016	2015	**Increase/ (Decrease)**
	%	*%*	*Percentage point*
Fertiliser business	**28.4**	27.9	0.5
Magnesium product business	**29.0**	34.2	(5.2)
The Group's gross profit margin	**29.3**	31.2	(1.9)

FINANCIAL REVIEW

Operating income and gross profit

During the year, the Company recorded a turnover of HK$2,589,221,000, being year-on-year increase of 2.9%.

Sales quantity of our fertilisers increased by 4.6% during the year, while average price decreased by 12.2% which mainly resulted from depreciation of RMB against HK$ of approximately 6% during the year. Prices of our organic fertilisers and Si-Mg compound fertilisers remained fairly constant in RMB, however basic compound fertilisers is subject to heavy market fluctuation and suffered a decrease of around 13.5%. However, through effective cost control, gross profit for fertiliser business still recorded a slight increase of 0.5% to 28.4%.

For the magnesium business, quantity sold were increased by 50.6% during the year, which mainly contributed by GSIL's new magnesium base acquired last year. Besides, the Group also expands our business to magnesium trading with export to Europe and USA markets, a milestone of the magnesium business. Since basic magnesium products volume sold increased by 98.1% year-on-year, gross profit of our magnesium segment has been diluted to 29.0%.

Other income

During the year, GSIL has completed the negotiation of adjustment to the purchase consideration with the sellers for its acquisition of a magnesium project last year, thereby recognising an increase in bargain purchase of HK$21,564,000, which in accordance with the relevant accounting standard was adjusted to last year and 2015 result was restated.

The Group's other income mainly comprised of interest income and sales of scraps, being HK$23,970,000 and HK$14,056,000 (2015: HK$12,094,000 and HK$11,679,000) respectively.

Administrative expense

Administrative expenses for the year of the Group accounted for approximately HK$159,379,000, being an increase of 14.1% year-on-year. This mainly arises from certain operating expenses of the idle capacity of GSIL's new magnesium base of HK$25,066,000 for upgrade of production facilities and workflow since it resumed production in first quarter of 2016. The technology upgrade and production optimization have been completed in November 2016, the production capacity is then released and production volume has reached 70% of the existing capacity.

Interest expenses

The Group interest expenses accounted for HK$117,564,000, increased by HK$30,174,000 or 34.5%. This mainly due to the issue of SGD listed bonds in June and August 2015, year-on-year comparison only have half year interest. Interest coverage is around 5 times (2015: 6 times). It is expected that upon the completion construction of our Baishan magnesium plant Phase II and Jiangxi Tianrui fertiliers plant and commence production in 2017, the ratio will be improved.

Margin

Profit for the year amounted for HK$313,052,000, year-on-year decrease of 13.8%. Profit for the year attributable to owners of the Company amounted for HK$302,334,000, year-on-year decrease of 3.9%. If excluding the effect from gain on bargain purchase for GSIL's acquisition consideration for the prior year, profit for the year will only drop by approximately 6.4%, while profit attributable to owners of the Company will indeed slightly increase by approximately 0.9% year-on-year.

LIQUIDITY, LIABILITIES AND FINANCIAL RESOURCES

The Group's liquidity in 2016 was mainly derived from cash generated from business operations and financing activities during the year. As at 31 December 2016, total amount of bank and cash balances of the Group was approximately HK$932,785,000 (2015: HK$1,452,515,000).

As at 31 December 2016, the Group's total borrowings increased by approximately 10.5% as compared to 2015, while net current assets decreased by approximately 15.3% as compared to 2015. The Group's gearing ratio (calculated by total borrowings over total assets) was approximately 29.4% in 2016 (2015: 25.7%).

The Group's existing cash resources together with the steady cash flows generated from business 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 arising from primarily with respect to Renminbi, HK$, Singapore dollars, US$ 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 any foreign exchange risks. The Group periodically reviews liquid assets and liabilities held in currencies other than HK$ to evaluate its foreign exchange risk exposure and consider the usage of hedging instruments when necessary.

CREDIT RISK MANAGEMENT

The Group has always been aware of the credit risk exposure of our customers. The Group strictly followed the "client account management procedures" established in 2004. The procedures required and ensured that all clients were regularly assessed and be kept track of their transaction records and credit history. The Group specified and assigned to each customer, as according to their operation and credit status, a series of credit measures such as credit ratio, credit period, credit rating, credit terms and guarantee. The client account management procedures were effective to control the credit risk of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year of 2016, the Company has complied with the code provision as set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), with the following deviations:

(a) Under code provision E.1.2, the chairman of the Board should attend the annual general meeting. Mr. Chi Wen Fu, 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. Mr. Shum Sai Chit, chief executive officer and executive Director of the Company, attended the said annual general meeting to respond to queries 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) and Mr. Sheng Hong (being an independent non-executive Director) were unable to attend the general meetings held on 19 May 2016 and 19 October 2016 while Mr. Kwong Ping Man (being an independent non-executive Director) was unable to attend the general meeting held on 19 May 2016 as he was obliged to be away for business trip.

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 ("Model Code") 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 Model Code during the year.

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

During the year, 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 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 year and up to the date of the announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established to review the Group's financial reporting, internal controls, corporate governance and risk management matters and to make relevant recommendations to the Board. The Audit Committee comprises all independent non-executive Directors, namely Mr. Kwong Ping Man (being the chairman of the Audit Committee) and Mr. Sheng Hong, Mr. Lau Chi Kit.

During the year, the Audit Committee held 4 meetings and performed the duties including reviewing the Group's financial statements (including the Group's interim and annual financial statements with recommendations to the Board for approval), compliance of the regulatory and statutory requirements, significant internal control and risk management, significant accounting and audit issues, the Group's connected transactions and overseeing and managing the relationship with external auditors.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises of 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 setting up remuneration policies and packages for Directors and the senior management of the Group.

REVIEW OF ANNUAL RESULTS

The consolidated results for the year ended 31 December 2016 have been audited by the Company's auditors, HLB Hodgson Impey Cheng Limited and reviewed by the audit committee of the Board which were of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The figures included in this preliminary announcement in respect of the Group's results for the year ended 31 December 2016 have been agreed by HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year under review. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

FINAL DIVIDEND

As the Group is in the process of production capacity expansion, including the fertilizer project with the newly established production capacity of 1,400,000 tonnes in Jiangxi and the acquisition of the renowned compound fertilizer corporation Hongri Chemical, whose sales volume is expected to reach 700,000 tonnes in 2017, the annual capacity of the Group is expected to be about 3 times the existing in the future. Therefore, the Group treasures the investment opportunity with priority, and taking into account the capital expenditure and operating cash flow required for the above project expansion, the Board does not recommend the payment of the final dividend for the year ended 31 December 2016.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the shareholders of the Company (the "Shareholders") will be held on 26 May 2017 ("AGM") and a notice convening the AGM of the Company will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the AGM

The register of members of the Company will be closed from Monday, 22 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order for the Shareholders to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited (the "Share Registrar"), at Level 22 Hopewell Centre 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Friday, 19 May 2017 for registration.

PUBLICATION OF ANNUAL RESULTS AND 2016 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.centurysunshine.com.hk). The 2016 Annual Report will be dispatched to the Shareholders and will be available in the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Chi Wen Fu
Chairman

Hong Kong, 29 March 2017

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*