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 2017

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 2017 (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 2017

	Notes	**2017** **(unaudited)** ***HK$'000***	2016 (unaudited) *HK$'000*
Revenue	4	**1,522,185**	1,236,142
Cost of sales		**(1,148,557)**	(864,939)
Gross profit		**373,628**	371,203
Other gains or losses, net		**32,396**	34,031
Gain on bargin purchase		**41,004**	–
Selling and marketing costs		**(60,032)**	(40,605)
Administrative expenses		**(81,834)**	(73,141)
Net realised and unrealised exchange differences		**(33,708)**	(37,853)
Net realised and unrealised gain on investments held for trading		**96**	8,918
Share of (loss)/profit of joint ventures		**(30)**	699
Finance costs	6	**(69,593)**	(59,508)
Profit before income tax		**201,927**	203,744
Income tax expense	7	**(72,232)**	(75,196)
Profit for the period	8	**129,695**	128,548

	Notes	2017 (unaudited) *HK$'000*	2016 (unaudited) *HK$'000*
Other comprehensive income/ (expenses), net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Net gain/(loss) arising on revaluation of available-for-sale investment		**3,202**	(6,950)
Reclassification adjustments relating to disposal of available-for-sale investments during the period		**(487)**	–
Exchange differences arising from translation of foreign operations		**134,608**	(76,513)
Other comprehensive income/(expenses) for the period (net of income tax)		**137,323**	(83,463)
Total comprehensive income for the period		**267,018**	45,085
Profit for the period attributable to:			
Owners of the Company		**127,515**	117,717
Non-controlling interests		**2,180**	10,831
		129,695	128,548
Total comprehensive income for the period attributable to:			
Owners of the Company		**263,518**	42,190
Non-controlling interests		**3,500**	2,895
		267,018	45,085
Earnings per share:			
– basic	9(a)	**2.77 cents**	2.56 cents
– diluted	9(b)	**2.77 cents**	2.55 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 (unaudited) HK$'000	As at 31 December 2016 (audited) HK$'000
Non-current assets			
Land use rights		**297,446**	206,746
Property, plant and equipment	11	**2,917,740**	2,093,569
Investment properties		**115,887**	114,001
Goodwill		**197,375**	197,368
Intangible assets		**378,683**	717
Mining rights		**474,321**	466,741
Payment for acquisition of patents		**–**	50,049
Deposits for acquisition of property, plant and equipment		**17**	372
Investments in joint ventures		**5,349**	5,362
Investment in an associate		**17**	17
Available-for-sale investments		**6,840**	6,840
Pledged bank deposits		**24,978**	31,587
		4,418,653	3,173,369
Current assets			
Available-for-sale investments		**5,537**	70,632
Inventories		**493,405**	227,387
Land use rights		**14,703**	4,723
Trade and other receivables, prepayments and deposits	12	**767,317**	856,906
Income tax recoverable		**1,757**	1,706
Investments held for trading		**–**	10,415
Amount due from a joint venture		**129**	133
Bank and cash balances		**877,821**	901,198
		2,160,669	2,073,100

	Notes	As at 30 June 2017 (unaudited) HK$'000	As at 31 December 2016 (audited) HK$'000
Less: Current liabilities			
Trade and other payables	13	**945,379**	294,447
Income tax payable		**50,455**	31,075
Borrowings		**712,979**	320,665
Derivative financial liabilities		**32,600**	32,600
		1,741,413	678,787
Net current assets		**419,256**	1,394,313
Total assets less current liabilities		**4,837,909**	4,567,682
Less: Non–current liabilities			
Deferred revenue		**68,175**	66,176
Other payable		**190,966**	121,000
Exchangeable bonds		**217,747**	208,504
Borrowings		**890,300**	1,011,457
Deferred tax liabilities		**139,759**	106,079
		1,506,947	1,513,216
Net assets		**3,330,962**	3,054,466
Capital and reserves attributable to owners of the Company			
Share capital		**101,756**	101,756
Reserves		**2,866,694**	2,610,945
		2,968,450	2,712,701
Non–controlling interests		**362,512**	341,765
Total equity		**3,330,962**	3,054,466

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 2017 were approved for issue by the Board on 31 August 2017.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 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 2016, 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 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 2	*Classifications and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers to Investment Property*[1]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but available for adoption

4 Effective for annual periods beginning on or after 1 January 2018, with early application permitted

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. REVENUE

	Six months ended 30 June	
	2017	2016
	(**unaudited**)	(unaudited)
	HK$'000	*HK$'000*
Sales of fertiliser products	**855,064**	681,960
Sales of magnesium products	**503,035**	424,385
Sales of metallurgical flux products	**21,293**	18,919
Sales of electronic products	**142,793**	110,878
	1,522,185	1,236,142

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 2017

	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	**855,064**	**518,130**	**28,947**	**142,793**	**1,544,934**
Inter-segment revenue	**–**	**(15,095)**	**(7,654)**	**–**	**(22,749)**
Revenue from external customers	**855,064**	**503,035**	**21,293**	**142,793**	**1,522,185**
Segment results	**161,118**	**120,860**	**12,209**	**580**	**294,767**
Gain on bargain purchase					**41,004**
Other income and gains					**25,134**
Central administrative costs					**(55,647)**
Net realised and unrealised exchange differences					**(33,708)**
Share of loss of joint ventures					**(30)**
Finance costs					**(69,593)**
Profit before income tax					**201,927**

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	840	312,754
Other income and gains					36,277
Central administrative costs					(48,625)
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

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, gain on bargain purchase, other income and gains, share of profit/(loss) 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 2017 (unaudited)	As at 31 December 2016 (audited)
	HK$'000	*HK$'000*
Fertiliser business	**2,554,486**	1,331,615
Magnesium product business	**2,099,184**	1,899,550
Metallurgical flux business	**649,889**	645,179
Electronic product business	**193,968**	198,233
	5,497,527	4,074,577
Unallocated	**1,081,795**	1,171,892
	6,579,322	5,246,469

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on convertible bonds	**–**	13,408
Interest on listed subordinated notes	**34,878**	27,874
Interest on exchangeable bonds	**18,447**	4,525
Interest on borrowings wholly repayable within five years	**16,268**	9,879
Interest on borrowings wholly repayable after five years	**3,912**	8,688
Total borrowing costs	**73,505**	64,374
Less: Amount capitalised in the cost of qualifying assets	**(3,912)**	(4,866)
	69,593	59,508

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	
	2017	2016
	(**unaudited**)	(unaudited)
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprises Income Tax	**72,270**	76,495
– Others	**–**	12
	72,270	76,507
Deferred taxation	**(38)**	(1,311)
	72,232	75,196

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	(**unaudited**)	(unaudited)
	HK$'000	*HK$'000*
Provision for inventories	**1,460**	716
Reversal of impairment of other receivables	**–**	(5,905)
Depreciation and amortisation	**74,625**	61,153

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	
	2017	2016
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company (HK$'000)	**127,515**	117,717
Weighted average number of ordinary shares in issue ('000)	**4,597,977**	4,601,518
Basic earnings per share (HK cents per share)	**2.77**	2.56

(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 exchangeable bonds (2016: Share options, exchanged bonds 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 period ended 30 June 2017.

For the exchangeable bonds and convertible bonds, the effect of which was anti–dilutive and the convertible bonds were fully redeemed during the year 2016, they were not included in the calculation of diluted earnings per share.

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company (HK$'000)	**127,515**	117,717
Weighted average number of ordinary shares in issue ('000)	**4,597,977**	4,601,518
Adjustment for share option ('000)	**–**	8,256
Weighted average number of ordinary shares for diluted earnings per share ('000)	**4,597,977**	4,609,774
Diluted earnings per share (HK cents per share)	**2.77**	2.55

10. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the six months ended 30 June 2017 (2016: HK$ Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group had acquired property, plant and equipment amounting to approximately HK$358,851,000 (2016: HK$40,038,000).

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 June 2017 (unaudited) *HK$'000*	As at 31 December 2016 (audited) *HK$'000*
Trade receivables	**515,340**	447,708
Bills receivable	**4,991**	8,673
Prepayments and deposits	**134,233**	149,196
Other receivables	**110,095**	250,002
Deposits placed with financial institutions	**2,658**	1,327
	767,317	856,906

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 2017 (unaudited) *HK$'000*	As at 31 December 2016 (audited) *HK$'000*
Within 30 days	**291,595**	168,567
31 to 60 days	**125,614**	174,199
61 to 90 days	**62,771**	84,808
Over 90 days	**35,360**	20,134
	515,340	447,708

The Group allows a credit period normally not more than 180 days (2016: not more than 180 days) to its trade customers.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2017 (unaudited) *HK$'000*	As at 31 December 2016 (audited) *HK$'000*
Trade payables	**388,276**	83,230
Bill payables	**121,799**	–
Receipts in advance	**164,586**	56,829
Provision	**988**	933
Accruals and other payables	**269,730**	153,455
	945,379	294,447

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 2017 (unaudited) *HK$'000*	As at 31 December 2016 (audited) *HK$'000*
Within 30 days	**166,208**	44,527
31 to 60 days	**79,399**	17,716
61 to 90 days	**26,701**	5,084
Over 90 days	**115,968**	15,903
	388,276	83,230

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2017, the global economy was still unstable, emerging economies rebounded slowly and disputes between developed economies were intensified. The trade momentum with major economies resumed, U.S. Federal Reserve raised interest rates twice. Japanese economy continued to recover while the European markets were disrupted by the French and British elections. The Chinese economy was stable with moderate GDP growth, and industrial structure underwent gradual adjustment and the share of the secondary sector declined. Despite both domestic and international challenges, Century Sunshine Group Holdings Limited ("Century Sunshine" or the "Company", together with its subsidiaries, the "Group") overcome the difficult situation and continued with its business expansion. In April 2017, Shandong Hongri Chemical Joint Stock Company, Ltd. ("Shandong Hongri"), a well-known compound fertiliser enterprise in China, was formally integrated into the Group, bringing along a significant increase in sales volume, revenue and market share in fertiliser business.

For the six months ended 30 June 2017 (the "Period"), the Group recorded an increase in revenue by 23.1% to HK$1,522,185,000 (2016: HK$1,236,142,000), with gross profit margin recorded at 24.5% (2016: 30.0%). Revenue from the magnesium product business for the Period was HK$503,035,000 (2016: HK$424,385,000), representing a year-on-year increase of 18.5%, and accounted for 33.0% of the total revenue of the Group (2016: 34.3%); revenue from the fertiliser business for the Period amounted to HK$855,064,000 (2016: HK$681,960,000), representing an increase of 25.4% year-on-year, and accounted for 56.2% (2016: 55.2%) of the Group's total revenue. During the Period, the Group recorded a slight decrease in the gross profit margin mainly due to the depreciation of RMB and the change of product structure. Nevertheless, the Group delivered stable business performance with a rapid growth in fertiliser production capacity and an improved revenue in the magnesium business. The Group's strategy of products differentiation is the primary driver for the Group's overall development.

Fertiliser Business

With more than 10 years of experience in research and development, manufacturing and sales of ecological agricultural fertilisers, the Group has established and held several well-known brands, including "Le He He (樂呵呵)", "Feng Shou (豐收)", "Zhan Lan (湛藍)", "Yanyangtian (艷陽天)" and "Dongfanghong (東方紅)". Compound fertilisers and organic fertilisers are the two major categories amongst products. During the Period, the fertiliser business contributed approximately HK$855,064,000 to the Group's revenue (2016: approximately HK$681,960,000), with an average gross profit margin of approximately 23.0% (2016: 27.6%). Sales volume recorded a significant increase of 28.9% to 414,841 tonnes (2016: 321,847 tonnes). In particular, with the merger of Shandong Hongri into the Group in April 2017, the sales volume from Shandong Hongri amounted to approximately 97,250 tonnes and revenue reached HK$197,040,000, lifting the overall performance of the segment.

Currently, the three production bases of the Group locate at Jiangsu, Jiangxi and Shandong respectively, with strong national brand recognition in the compound and organic fertilisers. In order to capture the opportunities brought along by national policies, the Group has been focusing on fully releasing production capacity to take up market share and accelerate market penetration during the Period. The Jiangxi production base is under construction. The phase one construction is expected to be completed in the third quarter of 2017, with an annual production capacity of 550,000 tonnes; while the remaining production capacity of 850,000 tonnes is expected to be in place in 2019. Upon the completion of the entire project of 1,400,000 tonne production lines, the Group will assume a leading position in the compound fertiliser industry, with an annual fertiliser production capacity of over 3,000,000 tonnes.

With a long operating history, the Group's production bases in Jiangsu and Shandong have a well-established sales network covering (the northern), central and southern provinces except Tibet. Upon launching the products from the newly-built production bases in Jiangxi into the market, the Group will enrich its portfolio of organic fertiliser and further improve the supply chain of overall fertiliser products. The southern part of the country which is remote from the other two production bases in Jiangsu and Shandong will be then well covered. At the same time, the new fertiliser products from Jiangxi will fill the market gap in northern and central regions, now served by the other two production bases. With the release of additional production capacity and strong brand recognition, the sales volume is expected to rise significantly and this will become a sustainable driving force for the Group.

Shandong Hongri has been established for more than 50 years. It owns several patent technologies such as "Method of low temperature conversion of potassium sulfate by potassium chloride". As the pioneer of China's domestic production of potassium sulfate compound fertiliser, Shandong Hongri is recognised as the leading enterprise in China's potassium sulfate compound fertiliser technology. Being the inventor of sulphur-based compound fertiliser, Shandong Hongri is well-known as the "father of sulphur-based compound fertiliser" of China. It 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) and the first Stated-level "National Chemistry Agricultural Services Centre" (全國化農化服務中心) in Shandong Province, as well as the recognized provincial "Enterprise Development Centre"(企業開發中心) in Shandong Province. In 2016, it was honoured as one of the Top 500 Chemical Enterprises of China and one of the Top 100 Chemical Fertiliser Enterprises in China. Its brand "Yanyangtian" (豔陽天) is prominent and very reputable, and was rewarded the title "China's brand" (中國名牌) "China's Reputable Trademark" (中國馳名商標), and being selected as "2016 Top 50 Brands of Farmer's Most Trusted Fertilisers" (2016 農民信賴的肥料品牌五十強). As the leading brand of Sulphur compound fertiliser, Shandong Hongri is popular among the consumers. The consolidation of Shandong Hongri's into the Group not only doubles our production capacity, but also enhances the reputation of the Group in the market.

Benefiting from the favourable national policies on agriculture and organic fertiliser, the utilisation rate of both organic and compound fertilisers is on the rise in China, while the utilisation rate of single chemical fertiliser gradually decreases. This speeds up the pace of green agriculture. According to the "Action Plan to Reduce the Use of Chemical Fertiliser to Zero-growth by 2020" (《到2020年化肥施用量零增長行動方案》) and the "Proposal on Substitution of Chemical Fertiliser with Organic Fertiliser Used on Fruit, Vegetables and Tea" (《開展果菜茶有機肥替代化肥行動方案》) issued by Ministry of Agriculture of People's Republic of China in 2015 and 2017 respectively, it is expected to reduce the chemical fertilisers use by over 20% in key growing areas for fruit, vegetables and tea; and by over 50% in core agricultural areas and production bases for well-known brands by 2020. The Ministry of Agriculture announced a subsidy of RMB1 billion in 2017 to replace chemical fertilisers with organic alternatives in 100 counties (cities) in order to promote organic fertilisers and cut down the use of chemical fertiliser. The Group believes that, with the national policies to promote the reduction of single chemical fertilisers, the application of compound and organic fertilisers will be a trend. This further benefits the Group's development. Adhering to the principle of "soil testing and prescribed fertilisation" for decades, the Group has built a green and ecologically sustainable business, in line with the direction of the national policies. The business opportunities for us are immense. As a leader of ecological fertiliser, the Group is steadfast to seize greater market share of compound fertilisers and organic fertilisers.

Magnesium Product Business

The magnesium products of the Group are broadly classified as basic magnesium products and rare earth magnesium alloys. For the six months ended 30 June 2017, the magnesium product business contributed HK$503,035,000 (2016: HK$424,385,000) to the Group. During the Period, sales volume reached 22,238 tonnes (2016: 16,013 tonnes), while the overall sales volume of magnesium product increased 38.9% year-on-year, mainly due to the significant growth in sales volume of magnesium products from the Xinjiang production base. Since the sale increment is mainly from Xinjiang production base, the average selling price of magnesium business was diluted by 12.4% year-on-year, while the sales volume of high-end rare earth magnesium alloy product reached 6,011 tonnes which is compatible to that of last year. This shows that the Group can effectively expand the production capacity of magnesium products while keeping high-end rare earth magnesium product business intact.

The Group holds a rich and high-quality reserve of dolomite mineral resource in Baishan City, Jilin Province, and has constructed the basic magnesium and magnesium alloy production base with advanced techonology. With an array of patents in high performance magnesium alloy, the Group has achieved a seamless integration of the supply of raw material and production capacity. This, together with our patented technologies, provides a very favorable condition and strong driving force for the development of magnesium business.

Group Sense (international) Limited ("GSIL", stock code: 601), a subsidiary of the Company, owns a magnesium production base in Xinjiang, the PRC (the "Xinjiang Base"). The Xinjiang Base continued to contribute to the financial results of the Group's magnesium product business during the Period. The government approved production capacity of the Xinjiang Base is 100,000 tonnes of magnesium alloy, of which production facilities of 15,000 tonnes have been built and utilised for the existing productions. Additional capacity of 30,000 tonnes is currently under construction and expected to be gradually released in 2018. It is expected that the overall production capacity of the Group's magnesium product business will reach 170,000 tonnes upon completion of the expansion project in the Xinjiang Base, positioning the Group as one of the leaders in the magnesium industry.

Magnesium alloy is considered to be the green, lightweight, structural material with a great potential.It is significant to green products development and design. With continuous technological advancement, magnesium products have been widely used in fields like transportation, communications, military, aviation, aeronautics, construction and healthcare. Because of the rapid growth of downstream demand, magnesium alloy industry will become more and more important in China. With a rich reserve of magnesium resource, China is ranked the first in the world in terms of production volume and export volume for magnesium, indicating the enormous growth potential of the business. With extensive industry experience, patented technologies and planned expansion of capacity. The Group is well-positioned to capture the development opportunities and strive for advancement.

On 18 April 2017, the Group has announced a non-legally binding memorandum of understanding between the Group and GSIL regarding a possible disposal of Century Sunshine's interests in its magnesium business in Baishan City, Jilin Province, the PRC, to GSIL. The possible transaction transfers Century Sunshine's interests in the magnesium business to GSIL. Century Sunshine shall make an announcement(s), as appropriate, in the event when any material development and/or that a definitive legally binding agreement is entered into.

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 also sells serpentine to major domestic steel enterprises to generate a stable income, after the requirement for the production of Si-Mg fertilisers is fulfilled.

Prospect

The Chinese economy is held steady with some positive signals in the first half of 2017. The Group forecasts that, with central government's focus on maintaining stability, the Chinese economy will grow moderately in the second half. The structural reform is expected to accelerate. Industries and the manufacturing sector are to remain stable while low-end products may come under pressure. Afterall, the Group believes that its product differentiation strategy will help the Group stand out in the market.

The central government continues to promote the policies on modernisation of agriculture and application of new material. As set out in 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)" issued by the Ministry of Industry and Information Technology (MIIT), the 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 new ecological fertilisers of the Group. Meanwhile, the "Development Plan of the Nonferrous Metal Industry (2016-2020) (有色金屬工業發展規劃(2016-2020年))" (the "Nonferrous Metal 13th Five Year Plan"), "Made in China 2025" and "Belt and Road" initiatives will open up potential demands and development in nonferrous metal market. In particular, under the Nonferrous Metal 13th Five Year Plan, magnesium is listed as one of the top five metals with the highest compound annual growth rate of 7.1% based on the 2020 key nonferrous metal consumption and production forecast. The production volume of magnesium is expected to reach 1,300,000 tonnes by 2020. The initiative encourages and supports the extensive application of nonferrous metals, including the magnesium leverage on technologies as driving forces to speed up the industry transformation and upgrading for further development.

The Group believes that, with the gradual implementation of the national industrial policies, along with a better understanding on our new fertilisers and new magnesium alloy, demand of our products will continue to grow and help driving the business of the Group. As such, the Group will continue with product differentiation strategy and to enhance our production capacity to become a leader in both industries. The Group will also research into more high end, high value added products to cope with demands. We will strive a more promising return for our shareholders.

Key Operational Data

Unaudited key operational data for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016, are as follows. Main businesses listed below contributed over 89% of the Group's total revenue for the Period.

(a) *Sales volume of major products:*

	2017	2016	**Increase**
	Tonnes	Tonnes	**%**
Fertiliser business	**414,841**	321,847	**28.9**
Magnesium product business	**22,238**	16,013	**38.9**

(b) *Average selling price of major products:*

	2017	2016	**Decrease**
	HK$/Tonne	HK$/Tonne	**%**
Fertiliser business	**2,061**	2,119	**(2.7)**
Magnesium product business	**22,349**	25,510	**(12.4)**

(c) *Gross profit margin of major products:*

			Decrease
	2017	2016	**Percentage**
	%	%	**points**
Fertiliser business	**23.0**	27.6	**(4.6)**
Magnesium product business	**25.0**	30.7	**(5.7)**
The Group's gross profit margin	**24.5**	30.0	**(5.5)**

FINANCIAL REVIEW

Operating income and gross profit

The Group recorded a revenue of HK$1,522,185,000 for the Period, representing a year-on-year growth of 23.1%. The revenue from two of the major businesses of the Group, namely fertiliser business and magnesium business, increased by 25.4% and 18.5% respectively.

The revenue of fertiliser business for the Period was approximately HK$855,064,000 with a sales volume of 414,841 tonnes, representing a year-on-year growth of 25.4% and 28.9% respectively. Shandong Hongri, the well-known compound fertiliser enterprise in China, was formally integrated into the Group since 1 April, 2017, bringing a significant increase in both sales volume and revenue to the Group. Shandong Hongri contributed a sales volume of approximately 97,250 tonnes and a revenue of approximately HK$197,040,000 for the Group during the Period. Revenue generated from Jiangsu production decreased by approximately 6% year-on-year, due to the production volume from Jiangsu was affected by the technical test on new products, occupying one of the production lines of the Group in Jiangsu during the Period, as well as the year-on-year depreciation of RMB by approximately 5%. With the lower gross profit of compound fertiliser compared to that of organic fertiliser and silicon magnesium fertiliser, the overall gross profit margin of fertilisers of the Group decreased by approximately 4.6 percentage points to 23.0%, due to the product structure influenced by the soaring sales volume of compound fertiliser resulted from the integration of Shandong Hongri into the Group.

The revenue and sales volume of the magnesium business were approximately HK$503,035,000 and 22,238 tonnes for the Period, representing respective year-on-year growth of approximately 18.5% and 38.9%. The uplifted sales volume was mainly attributable to the increase of sales volume in basic magnesium products, including a year-on-year growth of the sales volume of approximately 4,560 tonnes of magnesium ingot from GSIL's production base in Xinjiang. Besides, the commencement of the magnesium products trading business of the Group also led to additional sales volume. As the product structure of magnesium business was modified by the increased sales volume of basic magnesium products, the overall gross profit margin dropped by approximately 5.7 percentage points. The sales volume and gross profit of rare earth magnesium alloy products of the Group was similar to that of the corresponding period last year.

Other gain or loss, net

Other gain or loss, net was approximately HK$32,396,000, representing a year-on-year decline of approximately 4.8%. It mainly comprised of interest income of approximately HK$6,829,000 (2016: HK$12,827,000) and sales of wastes of approximately HK$4,479,000 (2016: HK$7,898,000).

Administrative expense

The administrative expense for the Period was approximately HK$81,834,000, representing a year-on-year growth of approximately 11.9%. The increment of administrative expense was, mainly due to the merge of Shandong Hongri. The fees were mainly comprised of remuneration of employees, depreciation and amortization, audit and professional fees for project acquisition, research and development and leases.

Finance cost

Finance cost was approximately HK$69,593,000, representing a year-on-year growth of approximately 16.9%. In June 2017, the Group reformed the composition of our Singapore Listed Notes through the issue of new SG$101,750,000 7% notes and the redemption of old SG$125,000,000 7.20% notes due June 2018 (of which the holders of old SG$38,250,000 notes opted for an exchange of new notes with old notes). As a result, the short-term debt of the Group has been improved. The relevant interests increased by approximately HK$7,000,000 year-on-year due to an approximately 1-month overlapping period of the old and new notes, and the acceleration of amortization of actual interests by the early redemption of old notes. Besides, the formal merge of Hongri Group into the Group in April 2017 generated an interest of approximately HK$4,300,000.

Margin

For the six months ended 30 June 2017, the profit after tax of the Group was approximately HK$129,695,000, representing a year-on-year growth of approximately 0.9%. In order to enhance our revenue and the overall profit, the Group strived to maintain the sales of products with high gross profit, and develop market shares for products with low gross profit.

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 2017, total amount of cash and bank balances of the Group was approximately HK$902,799,000 (as at 31 December 2016: approximately HK$932,785,000).

As at 30 June 2017, the Group's total borrowings increased by approximately 18.2% as compared to that as at 31 December 2016. The Group's gearing ratio (calculated by total borrowings over total assets) was approximately 27.7% as at 30 June 2017 (as at 31 December 2016: approximately 29.4%).

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 2017, the Group had pledged its property, plant and equipment, land use rights and deposits with banks with carrying amount of approximately HK$219,222,000, HK$182,371,000 and HK$44,978,000 respectively (as at 31 December 2016: approximately HK$163,650,000, HK$103,855,000 and HK$56,703,000 respectively) to secure borrowings.

Significant transactions

(i) 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 announcement on the HKEX and the company's website made on 4 August 2016.

The transaction was completed on 1 April 2017.

(ii) On 5 June 2017, the Company issued 7.0% subordinated notes with the face value of SGD101.75 million (under the Multicurrency Medium Term Note Programme). The notes are listed on the Singapore Stock Exchange and will mature on 3 July 2020.

On the same date, the Company redeemed the face value of SGD38.25 million the 7.2% subordinated notes issued in 2015 by exchange for the new 7.0% subordinated notes. The remaining subordinated notes issued in 2015 of the face value of SGD86.75 million were fully redeemed on 30 June 2017.

Contingent liabilities

As at 30 June 2017, the Company did not have any significant contingent liabilities.

Capital Structure

As at 30 June 2017 and 31 December 2017, the issued share capital of the Company were HK$91,959,537, divided into 4,597,976,843 shares of HK$0.02 each.

Human resources

The number of employees of the Group was approximately 4,580 as at 30 June 2017 (as at 31 December 2016: 2,610). 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 6,900,000 ordinary shares of HK$0.02 each of the Company at an aggregate consideration of HK$1,545,690 before expenses at prices ranging from HK$0.223 to HK$0.235 per share on the Stock Exchange. The repurchased shares were yet cancelled until on 29 July 2017.

Subsequent to the reporting date and up to the date of the interim report, the Company repurchased 9,960,000 ordinary shares of HK$0.02 each of the Company at an aggregate consideration of HK$2,535,965 before expenses at prices ranging from HK$0.240 to HK$0.265 per share on the Stock Exchange. The repurchased shares were cancelled on 29 July 2017.

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 26 May 2017 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 26 May 2017 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 2017, 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 2017, 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 2017 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 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*