世纪阳光

世紀陽光集團控股有限公司
CENTURY SUNSHINE GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 509)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 together with comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	4	**3,772,290**	2,589,221
Cost of sales		**(2,853,587)**	(1,829,360)
Gross profit		**918,703**	759,861
Gain on bargain purchase	14	**31,733**	—
Gain on disposal of a subsidiary		**1,895**	—
Other gains or losses, net	6	**80,946**	53,950
Selling and marketing costs		**(159,496)**	(93,911)
Administrative expenses		**(274,575)**	(159,867)
Exchange differences, net		**(42,967)**	3,937
Net realised and unrealised gain on investments held for trading		**85**	8,791
Share of profits and losses of joint ventures		**1,087**	1,695
Share of profit/(loss) of an associate		**1**	(1)
Finance costs	7	**(151,486)**	(117,564)
Profit before income tax		**405,926**	456,891
Income tax expense	8	**(144,304)**	(143,839)
Profit for the year	9	**261,622**	313,052

	Notes	**2017**	2016
		HK$'000	*HK$'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 investments during the year		**9,285**	(3,138)
Reclassification adjustments relating to disposal of available-for-sale investments during the year		**(487)**	(2,419)
Exchange differences arising from translation of foreign operations		**300,860**	(279,303)
Other comprehensive income/(expenses) for the year (net of income tax)		**309,658**	(284,860)
Total comprehensive income for the year		**571,280**	28,192
Profit/(loss) for the year attributable to:			
Owners of the Company		**260,316**	302,334
Non-controlling interests		**1,306**	10,718
		261,622	313,052
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**548,468**	44,908
Non-controlling interests		**22,812**	(16,716)
		571,280	28,192
Earnings per share:			
– basic (HK cents)	*11(a)*	**5.67 cents**	6.57 cents
– diluted (HK cents)	*11(b)*	**5.67 cents**	6.57 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Land use rights		**311,177**	206,746
Property, plant and equipment		**3,558,617**	2,093,569
Investment properties		**—**	114,001
Goodwill		**197,368**	197,368
Intangible assets		**389,524**	717
Mining rights		**487,464**	466,741
Payment for acquisition of patents		**—**	50,049
Long term deposits		**60**	372
Investments in joint ventures		**6,490**	5,362
Investment in an associate		**18**	17
Available-for-sale investments		**3,000**	6,840
Pledged bank deposits		**26,084**	31,587
Total non-current assets		**4,979,802**	3,173,369
Current assets			
Available-for-sale investments		**11,620**	70,632
Inventories		**481,065**	227,387
Land use rights		**8,647**	4,723
Trade and bill receivables	*12*	**497,385**	456,381
Prepayments, deposits and other receivables		**470,648**	400,525
Income tax recoverable		**1,835**	1,706
Investments held for trading		**—**	10,415
Amount due from a joint venture		**844**	133
Bank and cash balances		**930,911**	901,198
		2,402,955	2,073,100
Assets classified as held for sale		**119,521**	—
Total current assets		**2,522,476**	2,073,100
Less: Current liabilities			
Trade and bill payables	*13*	**633,838**	83,230
Accruals and other payables		**639,085**	211,217
Income tax payable		**35,556**	31,075
Borrowings		**626,425**	320,665
Derivative financial liabilities		**—**	32,600
Total current liabilities		**1,934,904**	678,787
Net current assets		**587,572**	1,394,313
Total assets less current liabilities		**5,567,374**	4,567,682

	Notes	2017 HK$'000	2016 HK$'000
Less: Non-current liabilities			
Deferred revenue		**73,585**	66,176
Other payables		**239,650**	121,000
Exchangeable bonds		**227,985**	208,504
Borrowings		**1,192,760**	1,011,457
Deferred tax liabilities		**179,966**	106,079
Total non-current liabilites		**1,913,946**	1,513,216
Net assets		**3,653,428**	3,054,466
Capital and reserves attributable to owners of the Company			
Share capital		**101,419**	101,756
Reserves		**3,194,963**	2,610,945
		3,296,382	2,712,701
Non-controlling interests		**357,046**	341,765
Total equity		**3,653,428**	3,054,466

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. 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. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

In the current year, the Company has applied, for the first time, the following new standard, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Company's financial year beginning on or after 1 January 2017. A summary of the new and revised HKFRSs are set out as below:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

In the opinion of directors, except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensations[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

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

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

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

4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

4. 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:

	2017	2016
	HK$'000	*HK$'000*
Sales of fertilisers	**2,225,499**	1,399,088
Sales of magnesium products	**1,158,248**	910,984
Sales of metallurgical flux products	**59,472**	47,494
Sales of electronic products	**329,071**	231,655
	3,772,290	2,589,221

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.

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 2017:

	Fertiliser business	Magnesium product business	Metallurgical flux business	Electronic product business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**2,225,499**	**1,173,649**	**74,130**	**329,071**	**3,802,349**
Inter-segment revenue	**—**	**(15,401)**	**(14,658)**	**—**	**(30,059)**
Revenue from external customers	**2,225,499**	**1,158,248**	**59,472**	**329,071**	**3,772,290**
Segment results	**409,672**	**271,508**	**31,149**	**9,755**	**722,084**
Other income, net					**93,092**
Central administrative costs					**(258,852)**
Share of profit and losses of joint ventures					**1,087**
Share of profit of an associate					**1**
Finance costs					**(151,486)**
Profit before income tax					**405,926**

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*	Total *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					51,010
Central administrative costs					(102,620)
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

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, certain other income net including, 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 result of an associate and 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.

Segment Assets and Liabilities

The segment assets and liabilities as at 31 December 2017 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	**3,122,241**	**2,302,379**	**671,107**	**236,373**	**6,332,100**	**1,170,178**	**7,502,278**
Segment liabilities	**1,625,914**	**507,777**	**164,833**	**229,676**	**2,528,200**	**1,320,650**	**3,848,850**
Capital expenditure	**630,830**	**268,246**	**9,799**	**2,518**	**911,393**	**61,802**	**973,195**

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

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

— all assets are allocated to reportable segments other than asset classified as held for sale investment property, 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 certain other payables.

Capital expenditure comprises additions to property, plant and equipment, land use rights and acquisition of subsidiaries. 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 2017:

	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	77,171	36,936	9,800	5,556	4,338	133,801
Amortisation of land use rights, mining rights and intangible assets	7,017	6,265	1,980	475	12,739	28,476
Provision for inventories	—	—	—	3,400	—	3,400
Product warranty provision	—	—	—	303	—	303
Impairment of an available-for-sale investment	—	—	—	3,840	—	3,840
Reversal of impairment and written off of trade receivables	—	—	—	(102)	—	(102)
Impairment of trade receivables (note 12(i))	8,842	—	—	687	—	9,529
Impairment of other receivables	1,003	—	—	—	—	1,003
Loss/(gain) on disposal of property, plant and equipment	122	—	(83)	(2,693)	(244)	(2,898)
Net realised and unrealised gain on investments held for trading	—	—	—	—	(85)	(85)
Income tax expenses	84,813	55,253	4,164	12	62	144,304

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

Geographical Information

During the years ended 31 December 2017 and 2016, 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 2017 and 2016. 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 2017 and 2016.

6. OTHER GAINS OR LOSSES, NET

	2017	2016
	HK$'000	*HK$'000*
Interest income	**11,329**	23,970
Dividend income	**26**	769
Gain on disposal of available-for-sale investments	**593**	2,848
Gain on disposal of property, plant and equipment	**2,898**	257
Government subsidy	**468**	2,198
Change in fair value of financial derivatives	**32,600**	(487)
Impairment of a available-for sale investment	**3,840**	(460)
Sundry income	**6,550**	7,070
Sales of scrap materials	**20,660**	14,056
Service fee income	**1,982**	3,729
	80,946	53,950

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on convertible bonds	**—**	13,408
Interest expenses on listed subordinated notes	**54,745**	55,986
Interest expenses on exchangeable bonds	**38,041**	23,375
Interest on borrowings wholly repayable within five years	**58,700**	24,795
Interest on borrowings wholly repayable after five years	**7,745**	9,083
Total borrowing costs	**159,231**	126,647
Less: amount capitalised in the cost of qualifying assets	**(7,745)**	(9,083)
	151,486	117,564

8. INCOME TAX EXPENSE

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

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
— Hong Kong Profits Tax	**—**	—
— PRC Enterprises Income Tax	**145,740**	146,287
— Others	**12**	22
	145,752	146,309
Deferred taxation	**(1,448)**	(2,470)
	144,304	143,839

(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 2017 and 2016. No tax is payable for the year ended 31 December 2017 (2016: Nil) 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 2017 and 2016.

9. PROFIT FOR THE YEAR

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

	2017	2016
	HK$'000	*HK$'000*
Wages and salaries	**287,856**	188,443
Share options granted to directors and employees	**309**	1,075
Payment to defined contribution retirement plans	**14,445**	8,816
Total staff costs (including directors' emoluments)	**302,610**	198,334
Auditors' remuneration		
Audit and audit related work		
— HLB Hodgson Impey Cheng Limited	**4,387**	3,573
— other auditor	**—**	1,700
Non-audit work		
— HLB Hodgson Impey Cheng Limited	**184**	184
Depreciation and amortisation	**162,277**	129,378
Net gain on disposal of property, plant and equipment	**(2,898)**	(257)
Cost of inventories recognised as an expense	**2,605,228**	1,616,840
Operating lease rentals in respect of land and buildings	**7,539**	7,495
Impairment of development costs	**—**	359
Provision for inventories	**3,400**	7,058
Product warranty provision	**303**	349
Write-back of long-aged accruals	**—**	(3,059)
Reversal of unutilised warranty provision	**—**	(72)
Reversal of impairment of and written off of trade receivables	**(102)**	(279)
Impairment of trade receivables (note 12(i))	**9,529**	784
Impairment of other receivables	**1,003**	—
Reversal of written off of other receivables	**—**	(5,495)
Impairment of an available-for-sale investment	**3,840**	460
Research and development expenses:		
Development costs amortised	**—**	397
Impairment of development costs	**—**	359
Current year expenditure	**16,690**	19,342

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

11. 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.

	2017	2016
Profit for the year attributable to owners of the Company (HK$'000)	**260,316**	302,334
Weighted average number of ordinary shares in issue (thousand shares)	**4,590,863**	4,599,751
Basic earnings per share (HK cents per share)	**5.67**	6.57

(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 three categories of dilutive potential ordinary shares: share options exchangeable 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 years ended 31 December 2017 and 2016.

For the exchangeable bonds, the effect of which was anti-dilutive. The right to convert the shares of China Rare Earth Magnesium Technology Holdings Limited attaching to the exchangeable bonds has terminated during the year. They were not included in the calculation of diluted earnings per share (2016: the effect of exchangeable bonds were anti-dilutive).

For the convertible bonds, the effect of which was anti-dilutive. The convertible bonds were fully redeemed during the year ended 31 December 2016. They were not included in the calculation of diluted earnings per share.

The basic and diluted earnings per share are the same for the years ended 31 December 2017 and 2016 as the effect of share options outstanding were anti-dilutive.

12. TRADE AND BILL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**491,501**	448,255
Impairment (note (i))	**(9,974)**	(547)
	481,527	447,708
Bills receivables	**15,858**	8,673
	497,385	456,381

Note:

(i) Include the amount of HK$8,842,000 from the impairment of trade receivables arising from Shandong Hongri for the year ended 31 December 2017.

As at 31 December 2017, the ageing analysis of the trade receivables of the Group presented based on the invoice date and net of impairments was as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**207,147**	168,567
31 to 60 days	**152,271**	174,199
61 to 90 days	**54,232**	84,808
Over 90 days	**67,877**	20,134
	481,527	447,708

13. TRADE AND BILL PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**246,025**	83,230
Bill payables	**387,813**	—
	633,838	83,230

As at 31 December 2017, the ageing analysis of trade payables of the Group presented based on the invoice date was as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**118,090**	44,527
31 to 60 days	**11,748**	17,716
61 to 90 days	**18,532**	5,084
Over 90 days	**97,655**	15,903
	246,025	83,230

14. ACQUISITION OF SUBSIDIARIES

On 3 August 2016, Long Xiang Enterprises Limited, a wholly owned subsidiary of the Group, entered into a sale and purchase agreement for the acquisition of the entire interests in Acronagrotrans Ltd, which directly holds 50.5% interests in Shandong Hongri Chemical Joint Stock Company, Ltd. ("Shandong Hongri"), at the consideration of US$1 (equivalent to HK$7.76). The transaction was completed and Shandong Hongri was consolidated into the Group with effect from 1 April 2017. The Group gained 50.5% effective controlling interest in Shandong Hongri after the completion of the transaction.

	Fair value of net identifiable assets and liabilities *HK$'000*
Property, plant and equipment	**499,735**
Land use rights	**96,352**
Intangible assets	**338,424**
Inventories	**246,424**
Trade and bill receivables	**223,711**
Other receivables, prepayment and deposit	**109,693**
Bank and cash balances	**202,166**
Trade and bill payables	**(808,045)**
Accruals and other payables	**(426,500)**
Deferred tax liabilities	**(50,067)**
Borrowings	**(369,055)**
Non-controlling interests	**(31,105)**
Total identifiable net assets at fair value	**31,733**
Gain on bargain purchase recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017	**31,733**
Total consideration	**—**
Consideration satisfied by:	
Cash	**—**
Cash inflow arising on acquisition:	
Cash consideration paid	**—**
Bank and cash balances acquired	**202,166**
	202,166

15. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2017, global economy continued to recover. The US economy saw an upward momentum while the emerging markets were also going strong. The overall inflation was kept at a modest level. With respect to China, its GDP growth rate in 2017 stood at 6.9%, according to the National Bureau of Statistics. Riding on the new cycle of the economic growth, the Group continued to focus on its fertiliser business and successfully completed the reorganisation of its magnesium business.

During the year ended 31 December 2017 (the "Year"), the Group recorded an overall increase in revenue of 45.7% to HK$3,772,290,000 (2016: HK$2,589,221,000), with gross profit margin 24.4% (2016: 29.3%). Revenue from the fertiliser business was HK$2,225,499,000 (2016: HK$1,399,088,000), representing a year-on-year increase of 59.1%, and accounted for 59.0% of the total revenue of the Group (2016: 54.0%); revenue from the magnesium product was HK$1,158,248,000 (2016: HK$910,984,000), representing a year-on-year increase of 27.1%, and accounted for 30.7% of the total revenue of the Group (2016: 35.2%).

Fertiliser Business

1. *Capacity Increase*

The Group's three production bases are located at Jiangsu, Jiangxi, and Shandong respectively, with strong national brand recognition and reputation in compound and organic fertilisers markets.

In April 2017, Shandong Hongri Chemical Joint Stock Company, Ltd. ("Shandong Hongri") was formally integrated into the Group. The merger has enhanced the Group's capacity and enriched its product mix. Upon the completion of the newly constructed project in Jiangxi, combining its capacity with Jiangsu and Shandong Hongri production bases, the Group will possess an annual fertiliser production capacity of over 3,000,000 tonnes and become one of China's largest ecological fertiliser companies.

Construction work at the Jiangxi Ruichang production base was on schedule. Trial production of phase one of the project (550,000 tonnes production capacity) has commenced in mid-October 2017. Fertiliser products include high tower fertiliser and functional fertiliser while the phase two construction (of production capacity 850,000 tonnes) is expected to commence soon. The annual designed production capacity at Jiangxi Ruichang base is 1,400,000 tonnes, with ancillary facilities such as phosphogypsum storage/depot, jetties, etc.

2. Optimizing Product Mix of the Fertiliser

Besides significant increase in production capacity, product portfolio has been much enlarged. The Group's fertiliser products are categorised into three sections: ecological fertiliser, functional fertiliser, and general fertiliser.

Ecological fertiliser is environmentally friendly as they improve soil organic matter and promote sustainable productivity. It includes organic fertiliser, bio fertiliser, humid acids fertiliser and organic-inorganic mixed fertiliser. Against the backdrop of the promotion in using green fertiliser and the balance of fertiliser application by the Chinese government, the market share of ecological fertiliser is increasing. Ecological fertiliser is the Group's traditional product. Applying the latest biological activation technology, the Group can increase the effectiveness and utilization ratio of its ecological fertiliser, which make an ideal choice for green agriculture as they can boost crop quality and quantity, and effectively activate soil ecology. Functional fertiliser mainly refers to the type of products that improve crop quality and focus on their special needs. It includes Si-Mg fertiliser, "Sheng Ming Yuan (生命元)", "seaweed fertiliser (海藻肥)" and other fertilisers with various minor elements. Si-Mg fertiliser is lately developed by our Group. It is made from serpentine and highly effective; especially in enhancing fertility, combating insects and bacteria. Other features include drought resistance and water reservation, the ability to help repair soil fertility and absorb heavy metals as well as improving crop's taste and quality. The Group owns the largest and highest quality serpentine reserve in Asia; this assures the quality of our Si-Mg fertiliser, and the steady supply of the key raw material at a low price. General fertiliser is compound fertiliser that provides basic nutrition for crops. It includes sulphur-based compound fertiliser, chlorine-based fertiliser, mixed fertiliser and controlled release fertiliser with prolonged effect. "Le He He (樂呵呵)" and "Yanyangtian (艷陽天)" are the Group's branded fertilisers and flagship products in the general fertiliser category. They are well known in the market.

The production line of the high tower fertiliser at the Jiangxi Base produces high quality and differentiated fertilisers. These premium products are in high demand and will fill the Group's product gap in northern and central China. Moreover, the Jiangxi Base is conveniently located at the southern shore of the Yangtze River. This reduces significantly transportation cost, further expands the supply chain and compensates the accessibility of the southern market from our Jiangsu and Shandong production bases.

During the Year, the Group launched "Sheng Ming Yuan (生命元)," an independently-developed, exclusive new product. This functional fertiliser is environmentally-friendly, fast and long-lasting. It can elevate utilization ratios, improve root condition and enrich the soil. Also, "Sheng Ming Yuan (生命元)" can be applied to both economic crops and field crops. "Seaweed fertiliser (海藻肥)," the Group's another line of new products, is produced with advanced sulphur technology and a specially formulated seaweed extract. The seaweed extract contains polysaccharide material which serves as a bio-stimulant that triggers the crops immune system, which in turn, enhances their strength and lowers soil infection rate.

With Chinese government's heavy promotion of agricultural supply-side structural reform and environmentally friendly policies, the demand of ecological fertiliser is undoubtedly magnified now and in future, boosting the Group's fertiliser business. As the first Hong Kong listed company that specialises in ecological fertiliser, the Group's is poised to become the market leader and highly reputable for its green business.

3. *Expanding the Sales Network of the Fertiliser Business*

The Group's sales network has been expanded to cover all of China provinces (excluding Tibet). Upon the launching of products from the newly built production base in Jiangxi, and the acquisition of Shandong Hongri, the Group expands its market reach out of the eastern Chinese market. Shandong Hongri has been in operation for over 50 years and is an industry leader in technological development. It invented sulphur-based compound fertiliser and is known as the "father of sulphur-based compound fertiliser" in China. The branded products "Yanyangtian (艷陽天)" and "Dongfanghong (東方紅)" are inherently favoured in the compound fertiliser market and well recognised by their customers. The Group believes that acquiring Shandong Hongri not only complements the Group's sales network, but also provides firm support to the future development of its fertiliser business by upgrading production technology. Group's recognition and position will be further upended and will thus attract more talent.

Magnesium Product Business

In September 2017, the Group announced the sale of its interest in China Rare Earth Magnesium Technology Holdings Limited ("China Rare Earth") and its magnesium business to Group Sense (International) Limited ("GSIL", stock code: 601.HK) ("the Transaction"). It was accomplished at the end of 2017. Upon completion of the transaction, the businesses of the Group and GSIL were delineated. Century Sunshine focuses on the fertiliser business, while GSIL engages mainly in the magnesium business.

Business Performance

The Group's magnesium products are broadly classified as basic magnesium products and rare earth magnesium alloys. The magnesium product business contributed revenue of HK$1,158,248,000 (2016: HK$910,984,000). Sales volume reached 50,463 tonnes (2016: 36,201 tonnes), while the overall sales volume of magnesium products increased 39.4% year-on-year. During the Year, the overall gross profit margin of magnesium business was 24.3% (2016: 29.0%). Sales revenue in the magnesium products business grew by 27.1%, while the selling prices remain stable.

GSIL owns a magnesium production base in Xinjiang, the PRC, of which the government approved a production capacity of 100,000 tonnes of magnesium alloy. It is expected that the overall production capacity of the Group's magnesium product business will reach approximately 170,000 tonnes upon completion of the expansion of project in Xinjiang. With an array of patents in high-performance magnesium alloys, a seamless integration of the supply of raw material and increased production capacity, this has placed the Group in a very favorable position for the future development of its 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 fertiliser, but is also an indispensable source of auxiliary material for iron and steel smelting. After setting aside an adequate and steady portion for the production of Si-Mg fertiliser, we sell a certain amount of serpentine to major domestic steel enterprises for a continuous and stable income.

Prospect

In the aftermath of the financial crisis, the Group believes that the Chinese economy will maintain its steady growth in 2018, given a series of the Chinese government's prudential policies. It is expected that the structural reform will accelerate while the industrial and manufacturing sector will remain steady. However, low-end products may undergo continuous pressure. Despite any setbacks, the Group is and has always been upholding "green, environmentally friendly and sustainable development" as its motto, and undertaking a product differentiation strategy. The Group will take advantage of the policies that aim to prompt the development of the green industry.

China continues to promote the policies on modernization of agriculture and application of new materials. As set out in the "Guidance on Promoting 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 fertilisers in China will increase from less than 10% at present to 30% by 2020, creating a huge market potential for the Group's new ecological fertiliser.

The Group has achieved leapfrog development during the Year. Following Shandong Hongri's production base going on track and the Jiangxi production base has gradually commenced production, the Group's fertiliser business will witness a significant growth of its production capacity and is expected to possess an annual fertiliser production capacity of over 3,000,000 tonnes. This will further expand the Group's presence in the market, and rapidly propel its name in the industry and market position. The Group's management team will keep the original aspiration and the mission firmly in mind, and are determined to bring the three production bases into a new era for ecological compound fertiliser and are dedicated to "make crops more productive and the land more fertile."

Key Operational Data

Unaudited key operational data for the year ended 31 December 2017, together with the comparative figures for the corresponding period in 2016, is as follows. Main businesses listed below contributed over 89.7% of the Group's total revenue for the year ended 31 December 2017.

(a) Sales volume of major products:

	2017	2016	**Increase**
	Tonnes	*Tonnes*	*%*
Fertiliser business	**1,066,541**	692,197	54.1
Magnesium product business	**50,463**	36,201	39.4

(b) Average selling price of major products:

	2017	2016	**Increase/ (Decrease)**
	HK$/Tonnes	*HK$/Tonnes*	*%*
Fertiliser business	**2,087**	2,021	3.3
Magnesium product business	**22,468**	24,388	(7.9)

(c) Gross profit margin:

	2017	2016	**Decrease**
	%	*%*	*Percentage point*
Fertiliser business	**23.2**	28.4	(5.2)
Magnesium product business	**24.3**	29.0	(4.7)
The Group's gross profit margin	**24.4**	29.3	(4.9)

Operating Income and Gross Profit

The Group recorded a revenue of approximately HK$3,772,290,000 for the year, representing a year-on-year growth of 45.7%. The revenue from two of the major businesses of the Group, namely fertilizer business and magnesium business, increased by 59.1% and 27.1% respectively.

The revenue of the fertilizer business for the year was approximately HK$2,225,499,000 with a sales volume of 1,066,541 tonnes, representing a year-on-year growth of 59.1% and 54.1% respectively. Shandong Hongri, the well-known compound fertilizer 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 392,229 tonnes and a revenue of approximately HK$902,307,000 for the Group during the Year. Revenue generated from Jiangsu production base decreased by approximately 6.6% year-on-year, due to the production volume from Jiangsu was affected by the technology upgrade of production of new products, occupying one of the production lines of the Group in Jiangsu during the Year. With the lower gross profit of general fertilizer compared to that of ecological fertilizer and functional fertilizer, the overall gross profit margin of fertilizers of the Group decreased by approximately 5.2 percentage points to 23.2%, due to the change in product mix by the soaring sales volume of general fertilizer resulted from the integration of Shandong Hongri into the Group.

The revenue and sales volume of the magnesium business were approximately HK$1,158,248,000 and 50,463 tonnes for the year, representing respective year-on-year growth of approximately 27.1% and 39.4%. 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 12,583 tonnes of magnesium products from the production base in Xinjiang. As the sales volume of basic magnesium products increased, gross margin of magnesium product business dropped approximately 4.7 percentage points. The sales volume and gross profit of rare earth magnesium alloy products of the Group was similar to last year.

Due to the increase in portion of products with lower profit margin of the two main operating businesses, the change in product mix resulted in the decrease of the overall profit margin of the Group by approximately 4.9 percentage points.

Other Gain or Loss, net

Other gain or loss, net was approximately HK$80,946,000, representing a year-on-year growth of approximately 50.0%, mainly comprised of gain from change in fair value of financial derivatives of approximately HK$32,600,000 (2016: loss of HK$487,000) and sales of wastes of approximately HK$20,660,000 (2016: HK$14,056,000).

Administrative Expense

The administrative expense for the year was approximately HK$274,575,000, representing a year-on-year growth of approximately 71.8%. The increment of administrative expense was mainly due to the merge of Shandong Hongri. Of which were mainly comprised of remuneration of employees, depreciation and amortization, audit and professional fees for project acquisition, research and development and leases.

Besides, the professional fees of bond issuance and business reorganisation was approximately HK$45,687,000.

Finance Cost

Finance cost was approximately HK$151,486,000, representing a year-on-year growth of approximately 28.9%. Among which, in June 2017, the Group reformed the composition of our Singapore listed subordinated notes through the issue of new 7.0% subordinated notes with face value of SGD101.75 million and the redemption of old 7.2% subordinated notes with the face value of SGD125 million due in June 2018 (of which the holders of old subordinated notes with face value of SGD38.25 million opted for an exchange of new notes with old notes). As a result, the short-term debt of the Group has been improved. HK$8,600,000 was incurred 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 integration of Shandong Hongri into the Group since April 2017 took up interest of approximately HK$24,470,000 from its business operation.

Margin

The profit after tax of the Group was approximately HK$261,622,000, representing a year-on-year decrease of approximately 16.4%. The Group strived to maintain the sales of products with high gross profit, and develop market shares for products with low gross profit, so as to increase sales revenue and overall profits, and also satisfy the needs of product diversification from our customers and expand our customer base. All these supports the Group's sustainable development.

Decrease in profit was mainly due to the increment of unrealised exchange loss, finance cost and administrative expense during the Year, in which unrealised exchange loss was approximately HK$42,967,000, and the professional fees for bond issuance and group reorganisation was approximately HK$45,687,000.

Final Dividend

The Group treasures the investment opportunities on the production capacity expansion on Jiangxi and the acquisition of Shandong Hongri with priority, for so, 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 2017.

Liquidity, Liabilities and Financial Resources

The Group's liquidity in 2017 was mainly derived from cash generated from business operations and financing activities during the year. As at 31 December 2017, total amount of bank and cash balances of the Group was approximately HK$956,995,000 (2016: HK$932,785,000).

As at 31 December 2017, the Group's total borrowings increased by approximately 32.9% as compared to 2016, while net current assets decreased by approximately 57.9% as compared to 2016. The Group's gearing ratio (calculated by total borrowings over total assets) was approximately 27.3% in 2017 (2016: 29.4%).

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 primarily with respect to HK$, Renminbi, US$, Singapore dollars and Australian dollars. Foreign exchange risk arises from future commercial transactions, recognized 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 that 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 2017, the Company has complied with the code provision as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviations as explained below with considered reasons:

(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 26 May 2017 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) was unable to attend the general meetings held on 26 May 2017, 21 November 2017 and 4 December 2017, Mr. Kwong Ping Man (being an independent non-executive Director) was unable to attend the general meetings held on 26 May 2017 and 4 December 2017 while Mr. Sheng Hong (being an independent non-executive Director) was unable to attend the 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 ("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 16,860,000 ordinary shares of HK$0.02 each of the Company at an aggregate consideration of HK$4,081,655 before expenses at prices ranging from HK$0.223 to HK$0.265 per share on the Stock Exchange. The repurchased shares were cancelled on 31 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 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 currently consists of Mr. Kwong Ping Man (the chairman of the Audit Committee), Mr. Sheng Hong and Mr. Lau Chi Kit, who are all independent non-executive Directors.

During the year, the Audit Committee held 5 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 (chairman of the Remuneration Committee and independent non-executive Director), Mr. Shum Sai Chit (executive Director), Mr. Sheng Hong (independent non-executive Director) and Mr. Lau Chi Kit (independent non-executive Director). 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 2017 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 2017 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the shareholders of the Company (the "Shareholders") will be held on 30 May 2018 ("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 Wednesday, 23 May 2018 to Wednesday, 30 May 2018, 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 Monday, 21 May 2018 for registration.

PUBLICATION OF ANNUAL RESULTS AND 2017 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 2017 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, 27 March 2018

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*