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**世紀陽光**

**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)**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015  
AND  
SUPPLEMENTAL INFORMATION TO ANNUAL REPORT 2014**

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 2015 together with comparative figures:

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

*For the six months ended 30 June 2015*

	<i>Notes</i>	<b>2015 (unaudited) HK\$'000</b>	2014 (unaudited) HK\$'000
Revenue	4	<b>1,204,092</b>	921,897
Cost of sales		<b>(815,910)</b>	(613,065)
Gross profit		<b>388,182</b>	308,832
Other income and gains		<b>15,875</b>	6,895
Operating expenses		<b>(113,779)</b>	(91,762)
Realised and unrealised gain/(loss) on investments held for trading		<b>25,817</b>	(409)
Share of profits and losses of joint ventures		<b>763</b>	–
Finance costs	6	<b>(37,298)</b>	(9,052)
Profit before income tax		<b>279,560</b>	214,504
Income tax expense	7	<b>(77,461)</b>	(58,651)
<b>Profit for the period</b>	8	<b>202,099</b>	155,853
Other comprehensive (expenses)/income, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Net (loss)/gain arising on revaluation of available-for-sale investment		<b>(6,807)</b>	225,253
Exchange differences arising from translation of foreign operations		<b>(2,664)</b>	(51,877)
<b>Other comprehensive (expenses)/income for the period (net of income tax)</b>		<b>(9,471)</b>	173,376
<b>Total comprehensive income for the period</b>		<b>192,628</b>	329,229
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>183,016</b>	126,742
Non-controlling interests		<b>19,083</b>	29,111
		<b>202,099</b>	155,853
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>175,804</b>	249,439
Non-controlling interests		<b>16,824</b>	79,790
		<b>192,628</b>	329,229
<b>Earnings per share (restated):</b>			
— basic	9	<b>4.61 cents</b>	3.62 cents
— diluted	9	<b>4.53 cents</b>	3.48 cents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015 (unaudited) HK\$'000	As at 31 December 2014 (audited) HK\$'000
<b>Non-current assets</b>			
Land use rights		150,818	140,986
Property, plant and equipment	11	1,722,506	1,442,559
Investment properties		132,993	134,612
Intangible assets		199,777	80
Mining rights		542,326	549,498
Payment for acquisition of patents		56,241	56,237
Deposit for acquisition of property, plant and equipment		3,500	35,089
Investments in joint ventures		3,503	–
Investments in associates		22	–
Available-for-sale investments		7,300	–
		2,818,986	2,359,061
<b>Current assets</b>			
Available-for-sale investment		23,584	30,391
Inventories		245,991	181,400
Land use rights		3,878	3,400
Trade and other receivables, prepayments and deposits	12	604,613	383,779
Investments held for trading		41,524	9,900
Derivative financial assets		243	243
Deposits with banks		74,986	86,351
Cash and cash equivalents		1,482,973	742,431
		2,477,792	1,437,895
<b>Less: Current liabilities</b>			
Trade and other payables	13	441,868	311,465
Income tax payable		52,057	33,186
Borrowings		273,777	303,696
Convertible bonds		187,538	117,193
		955,240	765,540
<b>Net current assets</b>		1,522,552	672,355
<b>Total assets less current liabilities</b>		4,341,538	3,031,416

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(CONTINUED)**

	<b>As at 30 June 2015 (unaudited) HK\$'000</b>	<b>As at 31 December 2014 (audited) HK\$'000</b>
<b>Less: Non-current liabilities</b>		
Convertible bonds	–	177,687
Deferred revenue	<b>71,589</b>	70,333
Borrowings	<b>939,225</b>	291,718
Deferred tax liabilities	<b>123,536</b>	125,037
	<u>1,134,350</u>	<u>664,775</u>
<b>Net assets</b>	<u><b>3,207,188</b></u>	<u>2,366,641</u>
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	<b>101,343</b>	67,910
Reserves	<b>2,845,197</b>	2,142,863
	<u>2,946,540</u>	<u>2,210,773</u>
<b>Non-controlling interests</b>	<u><b>260,648</b></u>	<u>155,868</u>
<b>Total equity</b>	<u><b>3,207,188</b></u>	<u>2,366,641</u>

# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*For the six months ended 30 June 2015*

## **1. GENERAL INFORMATION**

Century Sunshine Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in magnesium product business, fertiliser 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 2015 were approved for issue by the Board on 31 August 2015.

## **2. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2014, 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 2014.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle
Amendments to HKAS 19	Defined benefit Plans — Employee Contributions

The application of those new and revised HKFRSs in the current interim period has had no material effect on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

### 4. REVENUE

	Six months ended 30 June	
	2015 (unaudited) HK\$’000	2014 (unaudited) HK\$’000
Sales of magnesium products	379,473	313,427
Sales of fertiliser products	727,344	555,675
Sales of metallurgical flux and electronic products	97,275	52,795
	<u>1,204,092</u>	<u>921,897</u>

### 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:

- Magnesium product business
- Fertiliser business
- Metallurgical flux and electronic product business

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

(a) Segment revenue and results

Six months ended 30 June 2015

	Magnesium product business (unaudited) <i>HK\$'000</i>	Fertiliser business (unaudited) <i>HK\$'000</i>	Metallurgical flux and electronic product business (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Segment revenue	379,473	727,344	105,159	1,211,976
Inter-segment revenue	–	–	(7,884)	(7,884)
Revenue from external customers	<u>379,473</u>	<u>727,344</u>	<u>97,275</u>	<u>1,204,092</u>
Segment results	<u>135,434</u>	<u>182,206</u>	<u>14,470</u>	332,110
Other income and gains				42,455
Central administrative costs				(57,707)
Finance costs				<u>(37,298)</u>
Profit before income tax				<u><u>279,560</u></u>

Six months ended 30 June 2014

	Magnesium product business (unaudited) <i>HK\$'000</i>	Fertiliser business (unaudited) <i>HK\$'000</i>	Metallurgical flux and electronic product business (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Segment revenue	313,427	555,675	61,305	930,407
Inter-segment revenue	–	–	(8,510)	(8,510)
Revenue from external customers	<u>313,427</u>	<u>555,675</u>	<u>52,795</u>	<u>921,897</u>
Segment results	<u>104,539</u>	<u>139,990</u>	<u>7,921</u>	252,450
Other income and gains				6,895
Central administrative costs				(35,789)
Finance costs				<u>(9,052)</u>
Profit before income tax				<u><u>214,504</u></u>

Segment revenue reported above represents revenue generated from external customers. Inter-segment revenue has been eliminated during the 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' remuneration, other income and gains, 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**

	<b>As at 30 June 2015 (unaudited) HK\$'000</b>	As at 31 December 2014 (audited) HK\$'000
Magnesium product business	1,365,892	1,243,504
Fertiliser business	943,331	753,405
Metallurgical flux and electronic product business	1,161,724	744,287
Unallocated	<u>1,825,831</u>	<u>1,055,760</u>
Total assets	<u><u>5,296,778</u></u>	<u><u>3,796,956</u></u>

**6. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2015 (unaudited) HK\$'000</b>	2014 (unaudited) HK\$'000
Interest expenses on convertible bonds	22,822	359
Interest on borrowings wholly repayable within 5 years	10,754	8,623
Interest on borrowings wholly repayable after 5 years	<u>6,324</u>	<u>133</u>
Total borrowing costs	<u>39,900</u>	9,115
Less: Amount capitalised in the cost of qualifying assets	<u>(2,602)</u>	<u>(63)</u>
	<u><u>37,298</u></u>	<u><u>9,052</u></u>



## 7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Current tax		
— Hong Kong Profits Tax	—	—
— PRC Enterprises Income Tax	79,226	60,474
— Others	13	—
Deferred taxation	(1,778)	(1,823)
	<u>77,461</u>	<u>58,651</u>

## 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
Depreciation and amortisation	<u>45,014</u>	<u>37,641</u>

## 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.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the issue of shares pursuant to open offer on 1 June 2015 and bonus issue on 29 June 2015.

	Six months ended 30 June	
	2015 (unaudited)	2014 (restated) (unaudited)
Profit for the period attributable to owners of the Company (HK\$'000)	<u>183,016</u>	<u>126,742</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>3,966,224</u>	<u>3,504,297</u>
Basic earnings per share (HK cents per share)	<u>4.61</u>	<u>3.62</u>

**(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: share options and convertible bonds.

For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The Company's outstanding convertible bonds were not included in the calculation of diluted earnings per share because the effect of which were anti-dilutive.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(unaudited)</b>	(restated) (unaudited)
Profit for the period attributable to owners of the Company ( <i>HK\$'000</i> )	<u>183,016</u>	<u>126,742</u>
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>3,966,224</b>	3,504,297
Adjustment for share options ( <i>thousand shares</i> )	<u>77,651</u>	<u>139,113</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousand shares</i> )	<u>4,043,875</u>	<u>3,643,410</u>
Diluted earnings per share ( <i>HK cents per share</i> )	<u><b>4.53</b></u>	<u>3.48</u>

**10. DIVIDEND**

The directors of the Company do not recommend the payment of any dividend in respect of the six months ended 30 June 2015 (2014: HK\$Nil).

**11. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group had acquired property, plant and equipment amounting to approximately HK\$190,780,000 (2014: HK\$70,062,000).

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$38,000 for cash proceeds of HK\$225,000, resulting in a gain on disposal of HK\$187,000 (2014: the Group disposed of certain property, plant and equipment with a carrying amount of HK\$44,000 for cash proceeds of HK\$244,000, resulting in a gain on disposal of HK\$200,000).

## 12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 June 2015 (unaudited) HK\$'000	As at 31 December 2014 (audited) HK\$'000
Trade receivables	485,166	314,934
Bills receivables	13,590	28,641
Prepayments and deposits	66,498	30,619
Other receivables	12,131	7,310
Deposits placed with financial institutions	26,631	2,275
Amounts due from joint ventures	597	–
	<u>604,613</u>	<u>383,779</u>

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 2015 (unaudited) HK\$'000	As at 31 December 2014 (audited) HK\$'000
Within 30 days	257,009	142,784
31 to 60 days	162,566	87,955
61 to 90 days	42,146	64,703
Over 90 days	23,445	19,492
	<u>485,166</u>	<u>314,934</u>

The Group allows a credit period normally not more than 180 days (2014: not more than 180 days) to its trade customers.

## 13. TRADE AND OTHER PAYABLES

	As at 30 June 2015 (unaudited) HK\$'000	As at 31 December 2014 (audited) HK\$'000
Trade payables	230,354	135,831
Bills payables	17,497	–
Receipts in advance	78,070	45,368
Accruals and other payables	115,947	130,266
	<u>441,868</u>	<u>311,465</u>

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

	<b>As at 30 June 2015 (unaudited) HK\$'000</b>	As at 31 December 2014 (audited) HK\$'000
Within 30 days	<b>149,096</b>	72,395
31 to 60 days	<b>50,944</b>	21,691
61 to 90 days	<b>9,611</b>	36,083
Over 90 days	<b>20,703</b>	5,662
	<b><u>230,354</u></b>	<u>135,831</u>

#### 14. ACQUISITION OF SUBSIDIARIES AND CHANGE ON OWNERSHIP INTEREST IN SUBSIDIARIES

On 19 December 2014, Ming Xin Developments Limited, a wholly owned subsidiary of the Group, entered into a sale and purchase agreement and a subscription agreement for the acquisition of 500,000,000 existing shares and the subscription of 239,532,000 new shares of Group Sense (International) Limited (Stock Code: 601) (“GSIL”) at the consideration of HK\$229,600,000 and HK\$76,650,000 respectively. The transactions were completed on 26 February 2015 and the Group gained 51.46% controlling interest in GSIL after the completion.

As the Group gained 51.46% controlling interest in GSIL after the completion of acquisition on 26 February 2015, mandatory general offer were made by the Group on 5 March 2015 and completed on 26 March 2015. The Group’s controlling interest in GSIL thereafter increased to 51.88%. During the six months ended 30 June 2015, the Group also gained additional 3.15% equity interest in Jiangsu Azureblue Technology Development Company Limited. As a result of these transactions, the Group recognised a decrease in non-controlling interests of approximately HK\$8,580,000 and an increase in other reserve of approximately HK\$5,797,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2015, the businesses of the Group maintained rapid growth with total revenue increased by 30.6% to HK\$1,204,092,000 (2014: HK\$921,897,000) and recorded gross profit margin of 32.2%.

During the period, the magnesium product business and the fertiliser business, the two principal businesses of the Group, achieved steady growth. Revenue from the magnesium product business amounted to HK\$379,473,000 during the first half of 2015 (2014: HK\$313,427,000), representing a year-on-year increase of 21.1%, and accounted for 31.5% (2014: 34.0%) of the total revenue of the Group. Revenue from the fertiliser business amounted to HK\$727,344,000 during the first half of 2015 (2014: HK\$555,675,000), representing a year-on-year increase of 30.9%, and accounted for 60.4% (2014: 60.3%) of the total revenue of the Group.

### Magnesium Product Business

The magnesium product business maintained steady growth in the first half of 2015. The business mainly includes basic magnesium products and rare earth magnesium alloys which contributed to HK\$379,473,000 (2014: HK\$313,427,000) for the revenue of the Group during the period, representing an increase of 21.1% year-on-year, carrying an average gross profit margin of 34.9% (2014: 33.2%).

The Group successfully acquired a total of 51.88% of the shares of Group Sense (International) Limited (“Group Sense”) (stock code: 00601) in first quarter of 2015, to facilitate the rapid development of the magnesium business. The Group intended to leverage on the separate listing platform of Group Sense to accelerate the pace and room for expansion of the magnesium product business development. Group Sense also announced the acquisition of the target company in August 2015. The acquisition facilitated the integration of the resources of the Group so as to accelerate the expansion of the production scale of magnesium and the development of the industry chain of circular economy of magnesium products.

As the eco-friendly lightweight new materials are increasingly recognised worldwide, there will be a rapid growth of the market demand in magnesium alloys materials. Magnesium, being lightweight, energy-saving and eco-friendly, will definitely play a significant role in sustainable economic development. Because of its excellent performance, magnesium alloys can be used as the substitute of aluminium alloys to a certain extent. Currently, the annual output of raw magnesium represents less than 2% of the output of raw aluminium in the world. There is great potential for future expansion of the magnesium industry. According to the initial output target of magnesium under the “13th Five-year” development plan for the PRC, raw magnesium output in the PRC will reach approximately 1,300,000 tonnes at the end of the “13th Five-year” development plan in 2020, with an average annual growth rate maintained at 8.4%. To seize the opportunity for the rapid development of the industry, the Group planned to expand its production capacity by construction and through mergers and acquisitions. The Group’s own annual production capacity of magnesium is anticipated to reach approximately 75,000 tonnes from its current 25,000 tonnes upon completion of the second phase expansion as at the end of 2016, maintaining a sustained and rapid growth of the business.

## **Fertiliser Business**

The Group's fertiliser business mainly covers two product categories — compound fertilisers and organic fertilisers. In the first half of 2015, the Group's fertiliser business still maintained a rapid growth, which contributed a revenue of HK\$727,344,000 (2014: HK\$555,675,000), an increase of 30.9% year-on-year.

The development of ecological fertilisers has long been supported by the PRC given the relevant environmental protection policy. To align with the sustainable new agricultural development strongly advocated by the PRC, the Group aggressively expanded its production capacity. The production line with an annual production capacity of 300,000 tonnes at the production base located in Jiangsu has commenced production in the first quarter of 2015. The annual production capacity of the fertiliser business is anticipated to reach 800,000 tonnes at the end of 2015, and approximately 1,000,000 tonnes in 2016.

In July 2015, the Group announced that a production line for fertiliser with an annual production capacity of 1,400,000 tonnes and its self-owned cargo handling terminal will be constructed in Ruichang City, Jiangxi Province so as to further expand the production scale of the Group's ecological fertiliser business. The main products of the new production capacity included new fertiliser products such as silicon magnesium compound fertilisers and fully water soluble fertilisers. Leveraging on the competitive advantages of the extremely convenient transportation network of land and water of Ruichang City as well as the low transportation cost of raw materials and products, the Group will proactively expand its sales network to enhance the market coverage of its products and at the same time enhance the overall operation efficiency. The construction of the first phase expansion of the Group's fertiliser production line with an annual production capacity of 800,000 tonnes is planned to be completed within 3 years, while the construction of the second phase expansion of the fertiliser production line with an annual production capacity of 600,000 tonnes is planned to be completed in about 2 years after the completion of the first phase of the project. The completion of the construction of the whole project with an annual production capacity of 1,400,000 tonnes will lay a solid foundation for the Group's fertiliser business to achieve top ranking within the industry in the PRC.

The Group has been focused on the production of differentiated products by actively investing in scientific research so as to enable its high-performance and high value-added products prominent from the fierce competition in the market and strengthen its leading position in the industry. Silicon Magnesium ("Si-Mg") fertilisers and organic fertilisers, the high-margin superior products of the Group, has been well-recognised since launching in the market. Among which, Si-Mg fertilisers are effective in improving soil structure and increasing crop resistance to pests and disease. Meanwhile, the Group has primary production raw materials for its Si-Mg fertilisers, which is the abundant, superb quality serpentine reserves. Serpentine reserves provide ample raw materials and cost advantages for the production of Si-Mg fertilisers. The Group will continue its focus on the research and development of its products and technology as well as enhancing the promotion efforts on its products so as to increase its market share and achieve greater returns for its shareholders.

## Other Business

The metallurgical flux and electronic product businesses are the Group's secondary businesses. The superb quality serpentine reserves not only provide a key raw material to produce Si-Mg fertilisers, but also an indispensable source of auxiliary material for iron and steel smelting. The Group sold a manageable amount of serpentine reserves to major domestic steel enterprises for stable revenue generation.

## Outlook

Leveraging on its advantages in patents and proprietary technologies ahead of its counterparts, and given its abundant reserves of quality raw materials, the Group made an outstanding achievement again in the first half of 2015. Looking forward to the second half of the year, management has full confidence in sustaining a steady growth of the Group.

Under favourable macro environment and policy, the two principal businesses of the Group will continue to benefit from the long-term support of Chinese government. While the Group continued to expand its production capacity in a proactive manner, it will uphold the continuously innovative concept of operation and insist on product differentiation marketing strategy. It will focus on the research and development of high-performance products with high margins to secure the first tier market position for the Group so as to enhance its overall profitability. Moreover, the Group will strive on seeking the opportunity for mergers and acquisitions. By expanding its production capacity through construction as well as mergers and acquisitions, the two principal businesses of the Group will tap into the top rank within the industry in the PRC.

## Key Operational Data

Unaudited key operational data for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014, is as follows. Main businesses listed below contributed over 91% of the Group's total revenue for the six months ended 30 June 2015.

(a) Sales volume of major products:

	<b>2015</b>	2014	<b>Increase</b>
	<b>Tonnes</b>	Tonnes	<b>%</b>
Magnesium product business	<b>11,184</b>	9,558	<b>17.0</b>
Fertiliser business	<b>297,150</b>	238,760	<b>24.5</b>

(b) Average selling prices of major products:

	<b>2015</b> <i>HK\$</i>	2014 <i>HK\$</i>	<b>Increase</b> %
Magnesium product business	<b>32,768</b>	30,922	<b>6.0</b>
Fertiliser business	<b>2,447</b>	2,324	<b>5.3</b>

(c) Gross profit margins of major products:

	<b>2015</b> %	2014 %	<b>Increase/ (Decrease) Percentage points</b>
Magnesium product business	<b>34.9</b>	33.2	<b>1.7</b>
Fertiliser business	<b>28.5</b>	27.8	<b>0.7</b>
The Group's gross profit margin	<b>32.2</b>	33.5	<b>(1.3)</b>

## FINANCIAL REVIEW

### Revenue

Total revenue of the Group for the six months ended 30 June 2015 amounted to approximately HK\$1,204,092,000 (2014: approximately HK\$921,897,000), representing a year-on-year growth of about 30.6%. This is mainly due to increase in sales volume. During the period, aggregate sales volume for magnesium product business and fertiliser business recorded a growth of approximately 17.0% and 24.5% respectively.

### Cost of Sales

Cost of sales for the six months ended 30 June 2015 amounted to approximately HK\$815,910,000 (2014: HK\$613,065,000), an increase of approximately 33.1%. Among which, approximately 29.6%, 63.7% and 6.7% are attributable to magnesium product business, fertiliser business and other business respectively (2014: approximately 32.8%, 65.4% and 1.8% respectively). Cost of sales mainly comprised of material utilities cost, that accounted for approximately 84.1% of total cost of sales.

### Gross Profit

Consolidated gross profit of the Group for the six months ended 30 June 2015 was approximately HK\$388,182,000 (2014: HK\$308,832,000), surged by approximately 25.7%. The gross profit margin approximate to 32.2% (2014: 33.5%). It was because of the newly acquired electronic product business during the period of relatively low gross profit margin, leading to the dilution of the overall gross profit margin of the Group, which slightly decreased by 1.3%.



## **Operating Expenses**

Operating expenses for the six months ended 30 June 2015 was approximately HK\$113,779,000, which mainly comprised of selling and promotion, transportation, research and development and administrative costs. Increase in operating expenses for the period was mainly resulted from expenses incurred for coping with expansion of our Group and businesses, yet, the Group was still able to minimise such expenses as it only represented approximately 9.4% of total revenue for the period.

## **Other Income and Gains**

Other income and gains for the six months ended 30 June 2015 amounted to approximately HK\$15,875,000 (2014: HK\$6,895,000), mainly comprised of interest income of approximately HK\$3,330,000 and sales of by-products of approximately HK\$7,831,000 (2014: interest income of approximately HK\$3,906,000 and rental income of approximately HK\$2,642,000).

## **Margin**

Profit for the period amounted to approximately HK\$202,099,000 (2014: HK\$155,853,000), representing a year-on-year increase of approximately 29.7%. Profit attributable to owners of the Company amounted to HK\$183,016,000 (2014: HK\$126,742,000), representing a year-on-year increase of approximately 44.4%.

## **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 2015, total amount of cash and bank balances of the Group was approximately HK\$1,557,959,000 (as at 31 December 2014: approximately HK\$828,782,000).

As at 30 June 2015, the Group's net current assets and total borrowings were approximately HK\$1,522,552,000 and HK\$1,400,540,000 (as at 31 December 2014: approximately HK\$672,355,000 and HK\$890,294,000) respectively. The Group's gearing ratio (calculated by total borrowings over total assets) was approximately 26.4% as at 30 June 2015 (as at 31 December 2014: approximately 23.4%).

The Group's existing cash resources together with the steady cash flows generated from operating and financing activities are sufficient to meet its business needs. Net cash generated from operating activities and financing activities for the period under review amounted to approximately HK\$133,862,000 and HK\$962,293,000 respectively.

## 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's management does not expect the net foreign currency risk from these activities to be significant and hence, the Group does not presently hedge the foreign exchange risks. The Group periodically reviews liquid assets and liabilities held in currencies other than HK\$ to evaluate its foreign exchange risk exposure and consider the usage of hedging instruments when necessary.

## Significant Transactions

- (i) On 19 December 2014, Ming Xin Developments Limited, a wholly owned subsidiary of the Group, entered into a sale and purchase agreement and a subscription agreement, for the acquisition of 500,000,000 existing shares and the subscription of 239,532,000 new shares of Group Sense (International) Limited (stock code: 601) ("GSIL") at the consideration of HK\$229,600,000 and HK\$76,650,000 respectively. The transactions were completed on 26 February 2015. As the Group gained 51.46% controlling interest in GSIL after the completion, mandatory general offer were made by the Group on 5 March 2015 and completed on 26 March 2015. The Group's controlling interest in GSIL thereafter increased to 51.88%. For details, please refer to the relevant announcements and circulars published by the Group.
- (ii) On 4 February 2015, the Company entered into a non-legally binding framework agreement with an independent third party (the "Vendor") in relation to the proposed acquisition of 100% equity interest in operating project companies (the "Subject Companies") as owned by the Vendor (the "Proposed Acquisition"). The Subject Companies mainly engage in magnesium business and its ancillary businesses including power generation and semi-coke. Despite the expiration of the 6-month exclusive period of the proposed acquisition, the parties were still in the process of negotiation. In addition, the Group will also identify potential business-related projects and targets of mergers and acquisitions from time to time in order to implement the Group's strategic objectives, that is to develop our business to the forefront of the country by way of expansion of production capacity through self-establishment and mergers and acquisitions.
- (iii) On 1 June 2015, the Company issued 1,453,119,268 new Shares by way of open offer at HK\$0.40 per share on the basis of every two existing Shares held by qualifying shareholders as at 28 May 2015. Details are stated in the Company's prospectus issued on 8 May 2015.

On 29 June 2015, the Company issued 217,967,890 new Shares by way of bonus issue on the basis of every twenty existing Shares held by qualifying shareholders as at 17 June 2015. Details are stated in the Company's relevant announcements.

- (iv) On 4 June 2015, the Company issued the 1st tranche of 7.2% subordinated notes with the face value of SGD75 million (under the Multicurrency Medium Term Note Programme). The notes are listed on the Singapore Stock Exchange and will mature on 4 June 2018.

On 3 August 2015, the Company further issued the 2nd tranche of 7.2% subordinated notes with the face value of SGD50 million which will also matured on 4 June 2018.

- (v) On 20 August 2015, Group Sense (International) Limited (“GSIL”), an indirect non-wholly owned subsidiary of the Company in which its shares are listed on the Main Board of the Stock Exchange (stock code: 601), proposes to raise approximately HK\$287.44 million before expenses by issuing 1,437,195,029 offer shares of GSIL, on basis of one offer share for every one existing share of GSIL in issue held on the record date at the subscription price of HK\$0.20 per offer share.

Pursuant to the underwriting agreement entered on 20 August 2015, Ming Xin Developments Limited, an indirect wholly-owned subsidiary of the Company which directly hold 51.88% shares of GSIL, will underwrite 50% of the underwritten shares (excluding the 826,507,845 offer shares to be taken up by the undertaken shareholders or their nominee(s) pursuant to the undertaking(s), being 305,343,592 offer shares of GSIL.

Detail of the open offer are set out in the Company’s announcement dated 20 August 2015.

- (vi) Further to the framework agreement and the voluntary announcement of GSIL dated 14 May 2015, on 12 August 2015, Hong Kong New Materials Industry Investment Company Limited (the “Purchaser”), an indirect wholly-owned subsidiary of GSIL, entered into the share transfer agreement with the shareholders (the “Vendors”) of Xinjiang Tengxiang Magnesium Products Company Limited (the “Target Company”), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the 100% equity interest of the Target Company. Total consideration of the acquisition is RMB72.28 million (equivalent to approximately HK\$88.59 million). Detail of the acquisition are set out in the Company’s announcements dated 12 August 2015 and 13 August 2015.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Subsequent to the reporting date and up to the date of this interim report, the Company repurchased 23,000,000 ordinary shares of HK\$0.02 each of the Company at an aggregate consideration of HK\$9,073,650 before expenses at prices ranging from HK\$0.385 to HK\$0.42 per share on the Stock Exchange. The repurchased shares were subsequently cancelled on 30 July 2015. 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 under review, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report under Appendix 14 to the Listing Rules, with the following deviations:

- (a) Under the code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

Mr. Chi Wen Fu, the founder of the Group, currently holds a dual role as the Chairman and the CEO. The Board is of the view that it is for the best interests of the Group to adopt a single leadership structure, as Mr. Chi possesses extensive experience and knowledge in the PRC market and he is playing a significant role in establishing the strategic decisions and overall management of the Group. This structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. In light of the single leadership structure, sufficient safeguards are established to ensure that the management is accountable to the Board as a whole. The Chairman/CEO ensures that Board meetings are held regularly and when necessary. The Chairman/CEO ensures that Board members are provided with complete, adequate, accurate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. The Chairman/CEO ensures that all Directors have unrestricted access to the document or information kept by the Group and professional advice when necessary. The Board will review the Group's operation from time to time and identify any suitable professionals to optimize the management structure in order to maximize the Group's value.

- (b) 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 28 May 2015 as he was obliged to be away for a business trip on that date. Mr. Yang Yuchuan, executive Director of the Company, attended the said annual general meeting to answer questions from shareholders.
- (c) Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Guo Mengyong (being a non-executive Director) and Mr. Sheng Hong (being independent non-executive Directors) were unable to attend the annual general meeting held on 28 May 2015 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 under review.

## **AUDIT COMMITTEE**

The Audit Committee was established in January 2004. As at 30 June 2015, 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 2015, 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 2015 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.

## **SUPPLEMENTAL INFORMATION TO ANNUAL REPORT 2014 (the "Annual Report")**

### **Fund raising activities under general mandate**

During the year ended 31 December 2014, the Company has conducted the following fund raising activities under the general mandate:

- (1) On 28 January 2014, the Subscription Agreement with IFC to issue an aggregate of 155,077,000 Subscription Shares at HK\$0.75 (the "Subscription Price") per Subscription Share (the "Share Subscription"). The Company intended to utilize the entire net proceeds as general working capital of the Group. The Subscription Price represented a discount of approximately 9.64% to the closing price of HK\$0.83 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement. After deduction of the relevant expenses of the Share Subscription, the net subscription price per Subscription Share was approximately HK\$0.735;
- (2) On 17 June 2014, the Subscription Agreement with Gem Power International Limited to issue the Convertible Bonds of an aggregate principal amount of HK\$115 million at a convertible price of HK\$1.2 per Conversion Share (the "CB Subscription 1");
- (3) On 20 June 2014, the Subscription Agreement with Greenhouse Century Limited to issue the Convertible Bonds of an aggregate principal amount of HK\$180 million at a convertible price of HK\$1.2 per Conversion Share (the "CB Subscription 2");

The aggregate gross proceeds so raised were approximately HK\$411 million, accompanied with the Group's internal financial resources, the Group used approximately HK\$593 million for capital expenditure and expansion of production capacity. Among which, HK\$586 million were incurred for construction in progress, which mainly comprised of HK\$51 million and HK\$92 million for the infrastructure construction of the serpentine mine and dolomite mine respectively while about HK\$258 million and HK\$185 million were used for expansion of production capacity of magnesium alloy business in Baishan production base and fertiliser business in Jiangsu production base respectively.

### **Share Option Scheme (the "Scheme")**

As at the date of the Annual Report, the total number of Shares of the Company available for issue under the Scheme was 406,244,333, representing approximately 8.9% of the issued share capital of the Company as of the date thereof. The remaining life of the Scheme is approximately 3 years and to be expired on 3 December 2018.

The above addition information does not affect other information contained in the Annual Report and, save as disclosed above, all other information in the Annual Report remains unchanged.

By Order of the Board  
**Shum Sai Chit**  
*Executive Director*

Hong Kong, 31 August 2015

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

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