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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

(Stock code: 509.HK)

## Announces 2016 Interim Results

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**Effective cost control measures with stable core business performance  
Expand production capacity of fertilizer business through successful  
acquisition of Hongri Acron**

### Financial Highlights

HKD'000	For the six months ended 30 June		
	2016	2015	Change
Revenue	1,236,142	1,204,092	+2.7%
- Revenue of Fertilizers Business	681,960	727,344	-6.2%
- Revenue of Magnesium Products Business	424,385	379,473	+11.8%
Gross profit	371,203	388,182	-4.4%
Profit for the period*	128,548	202,099	-36.4%
Profit for the period attributable to Owners of the Company	117,717	183,016	-35.7%
Basic earnings per share (HK cents)	2.56	4.61	-44.5%
Gross margin	30.0%	32.2%	-2.2ppts

*\*The decrease in profit for the period is primarily due to:*

- 1. The net realised and unrealised exchange loss of approximately HK\$37,853,000 sustained by the Group during the Period, mainly resulting from the re-translation of the Singapore listed subordinated notes at the period end according to the accounting standards, due to a significant fluctuation of Renminbi and Singapore dollars. The notes will mature in June 2018, therefore, the exchange loss is an unrealised loss and does not have any immediate adverse cash outflow effects on the Group.*
- 2. Administrative cost of the Group increased by 10.1% as compared to the corresponding period in 2015 due to the commencement of operation of the GSIL's Xinjiang magnesium business during the Period. GSIL is a subsidiary of the Group with approximately 51.88% equity interest.*

(Hong Kong, 31 August, 2016) **Century Sunshine Group Holdings Limited** ("Century Sunshine" or the "Company", stock code: 509.HK, or together with its subsidiaries collectively referred to as the "Group"), is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2016 (the "Period").

Although the Group has recorded an increase in sales volume for both magnesium and fertiliser businesses during the Period, sales revenue was partially offset by the drop of raw materials prices and the depreciation of Renminbi, while total revenue remained stable compared to the corresponding period last year. For the six months ended 30 June 2016, the total revenue of the Group increased by 2.7% to HK\$1,236,142,000 (2015: HK\$1,204,092,000), with gross profit margin of 30.0%. During the Period, the revenue of the magnesium product business amounted to HK\$424,385,000 for the first half of 2016 (2015: HK\$379,473,000), representing an increase of 11.8% year-on-year (“YOY”) and accounted for 34.3% (2015: 31.5%) of the Group’s total revenue; revenue of the fertiliser business amounted to HK\$681,960,000 for the first half of 2016 (2015: HK\$727,344,000), representing a decrease of 6.2% YOY and accounted for 55.2% (2015: 60.4%) of the Group’s total revenue. During the Period, affected by the overall decrease in commodities prices, the selling prices of magnesium and fertilisers were relatively volatile, nevertheless the gross profit margins for both businesses only showed slight decrease, indicating the effectiveness of the Group’s cost control measures.

Major reasons affecting the profit for the Period include: 1) The significant fluctuation of Renminbi and Singapore dollars during the Period, leading to a net realised and unrealised exchange loss of HK\$37,853,000 for the Group mainly resulting from the re-translation of the Singapore listed subordinated notes at the period end based on accounting standards. The notes will mature in June 2018, therefore, the exchange loss is an unrealised loss and does not have any immediate adverse cash outflow effects on the Group. The Group will review and assess the foreign currency risk from time to time in order to minimize the net exchange loss that maybe crystalized; and 2) The 10.1% YOY increase in administrative expense due to the commencement of GSIL magnesium business in Xinjiang, leading to a 36.4% drop in the profit for the Period to approximately HK\$ 128,548,000. Therefore, the decrease in profit for the Period is mainly due to the unrealized exchange loss and the fixed expenses associated with Xinjiang magnesium business, while the actual gross profit margin for the core business only recorded a slight decrease of 2.2 percentage points.

### **Fertilizer Business**

The Group has two major fertiliser products, including compound fertilisers and organic fertilisers. The Group engages in the sales of ecological fertiliser with highly recognized products in the industry, sold under various brands such as "Lu Di", "Le He He", "Zhan Lan" and "Feng Shou" in 20 provinces across the country. During the Period, fertiliser business contributed approximately HK\$681,960,000 (2015: approximately HK\$727,344,000) of revenue to the Group, with an average gross profit

margin of approximately 27.6% (2015: 28.5%).

*To actively expand production capacity so as to develop its fertiliser business to the national forefront*

In recent years, the increasing use of the new generation of environmental-friendly and effective fertilisers has gradually become a new trend of fertiliser consumption in modern agricultural. This has greatly benefitted the Group's development in ecological fertiliser. In order to achieve the strategic objective of landing the Group's fertiliser business at the forefront of the PRC's fertiliser industry, the Group continued to actively expand its production scale during the Period. Through partial technology upgrade on existing facilities, the annual capacity for the Group's production base in Jiangsu Province is expected to reach 850,000 tonnes in 2016. Meanwhile, the Group is building a new fertiliser production line at Ruichang City, Jiangxi Province with an annual capacity of 1.4 million tonnes, including a self-owned cargo-handling terminal and other auxiliary facilities. The first phase of the new fertiliser production line with an annual capacity of 800,000 tonnes is expected to commence construction during the third quarter of 2016 and is scheduled to be completed in 2018, which is established in particular for the new fertiliser products, such as Si-Mg compound fertiliser and water-soluble fertiliser products.

Ruichang City, the location of the new production base, is an important industrial city of Jiangxi Province, adjacent to three coastal economic circles (the Yangtze River Delta, the Pearl River Delta, and Southeastern part of Fujian), bordering the south shore of the Yangtze River, and connecting two major railway networks including Beijing – Kowloon Railway and the Beijing – Guangzhou Railway, representing the convenience of water and land transportation. In addition, advanced technology will be applied in the new fertiliser production line, for taking advantage of its geographical convenience for significant cost savings regarding transportation and production. Upon construction completion and production commencement, the Group will be able to cover the existing southern market as well as the northern market covered by the Jiangsu production base as complementary product mix and market connection, which can further expand the sales network of the Group and enhance our complete coverage of customer base.

*Acquisition of Hongri Acron to build industry reputation, strengthen market influence and enhance competitive advantages*

As an industry leader in green ecological fertiliser, the Group actively implements capacity expansion. On 3 August 2016, the Group announced the signing of an acquisition agreement to acquire 50.5% equity interest in Shandong Hongri Acron

Chemical Joint Stock Company, Ltd. (“Hongri Acron”), a well-known compound fertiliser enterprise in the PRC. Hongri Acron was established in 1965 and was formerly a state-owned enterprise before Acron Group, a renowned fertiliser producer in Russia, became its controlling shareholder in 2002. As an inventor of the potassium sulfate compound fertiliser technology and a leader in potassium sulfate compound fertiliser industry in the PRC, Hongri Acron has become a leading enterprise known for its potassium sulfate compound fertiliser technology in the PRC. Hongri Acron has nine major production lines in place, which are mainly used for the processing and production of compound fertilisers with aggregate annual production capacity of approximately 820,000 tonnes. Hongri Acron possesses five self-invented technology patents in fertiliser production and its well-known brands namely Yangyangtian (艷陽天) and Dongfanghong (東方紅) have successfully obtained more than 10 reputable titles such as “China Famous Brand” and “Famous Chinese Trademark”, which could build up industry reputation and strengthen the Group’s competitive advantages in terms of product diversification and complementarity.

Given Hongri Acron’s solid and profound foundation, the acquisition of Hongri Acron will bring forth complementary impact and synergies in the areas of technologies, markets, products and talents of the production bases located in Jiangxi and Jiangsu provinces, which therefore achieved the production base distribution and market coverage of the Group’s ecological compound fertilizer in the northern, central and southern part of China. On 18 August 2016, Hongri Acron has carried out a production resumption ceremony and it is expected that six production lines will resume operation this year and all of the nine production lines will resume operation in 2017, which will enhance enterprise value, rapidly gear up the business scale and drive the growth of fertiliser business of the Group. The horizontal integration of Hongri Acron and Century Sunshine will further reinforce the Group’s reputation in the industry, as well as the market coverage and comparative advantages.

### **Magnesium Business**

The magnesium products of the Group included basic magnesium products and rare earth magnesium alloys. For the six months ended 30 June 2016, the magnesium product business contributed a revenue of HK\$424,385,000 (2015: HK\$379,473,000) to the Group, representing an increase of 11.8% YOY, with an average gross profit margin of 30.7% (2015: 34.9%).

Magnesium is the lightest structural metal material used in the manufacturing industry; it also has a good recycling performance making it the new generation of “green” material. As a leading enterprise in the industry, the Group has invested heavily in the research and development of magnesium alloy projects since 2008. The Group

currently holds a rich and quality reserve of dolomite mineral resource, owns and operates a sophisticated primary magnesium and magnesium alloy production base, and possesses a number of exclusive patent rights in high performance magnesium alloy production techniques, manufacturing methods and technologies. As such, building a strong tie between the independent supply of upstream resources and downstream production capacity, which creates a suitable and stable platform for the development of the magnesium business.

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

**Mr Chi Wen Fu, Chairman of the Group** said, “With the Group’s professionalism, dedication and foundation built over the years, during the Period, despite the turbulence in the operating environment and fluctuations in the forex market, core businesses of the Group remained stable. Through the new fertiliser production line at Ruichang City, Jiangxi Province with an annual capacity of 1.4 million tonnes and the successful acquisition of Hongri Acron, which enable the Group to expand the production capacity of fertiliser business as to develop its fertiliser business to the national forefront. To further enhance the market position of the Group in the magnesium industry, the aggregate production capacity of magnesium business is expected to reach 175,000 tonnes upon the completion of the construction expansion of GSIL’s production base.

We believe, as the PRC government pays more attention to the development of new materials industry, various measures towards promoting the development of new materials industry will be introduced. As one of the top-rated new materials, magnesium alloy has enormous development potential. Further, as the PRC government is also actively promoting environmental protection, green living, organic agriculture as well as agricultural modernisation, we expect more business opportunities for the ecological fertiliser market will arise.

Going forward, we will make full use of our leading patented technologies and market advantage, to push forward the expansion of our magnesium product business and accelerate the expansion of our fertiliser production capacity. To cater for Chinese “New normal” economy, we will continue implementing product differentiation marketing strategy and strive to developing more high value-added, high-performance products to adequately meet with the market demands, in order to further secure a forefront position within the industry. We will also work best at strengthening internal management and tightening cost control measures for creating better returns for its shareholders.”

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**About Century Sunshine Group Holdings Limited (Stock Code: 509.HK)**

Century Sunshine and its subsidiaries engage in vertically integrated business activities including R&D, production, and distribution of magnesium alloys and ecological fertilizers. The Group was listed on the Main Board of the Hong Kong Stock Exchange on 1 August 2008 with stock code of 509.HK. In February 2015, the Group successfully acquired Group Sense (International) Limited (601.HK), currently holding approximately 51.88% shares.

For more information, please visit the Company’s website: <http://www.centurysunshine.com.hk>

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