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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 Annual Results

**Core businesses recorded steady growth
Revenue increased by approximately 2.9%**

**Sales of Fertilizer Business and Magnesium Business up approximately
4.6% and 50.6% Respectively with Stable Gross Margins**

**Active capacity expansion and Further
Expand Fertilizer Sales Network and Business Scale
through Acquisition of Hongri Chemical**

Financial Highlights

For the year ended 31 December			
(HKD million)	2016	2015 (Restated)	Change
Revenue	2,589	2,516	+2.9%
Gross profit	760	786	-3.3%
Profit for the Year	313	363	-13.8%/-8.4%*
Profit for the Year attributable to Owners of the Company	302	314	-3.9%/-0.4%*
Basic earnings per share (HK cents)	6.57	7.45	-11.8%/-8.6%*
Gross margin of the Group	29.3%	31.2%	-1.9ppts

**Remark: During the Year, Group Sense (International) Limited ("GSIL") has reached an agreement with the seller to adjust the consideration for acquiring the magnesium business in Xinjiang in 2015. The consideration has decreased by HK\$21,564,000. Therefore, the comparative figures in 2015 were restated according to the accounting standard. If excluding the adjusted revenue for the acquisition in the prior year, profit for the year and profit for the year attributable to owners of the Company will only decreased 8.4% and slightly dropped 0.4% respectively.*

(29 March 2017, Hong Kong) **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 annual results of the Group for the year ended 31 December 2016 (the "Year").

The two core businesses of the Group made positive progress during 2016, total revenue of the Group increased by 2.9% to HK\$2,589,221,000 (2015: HK\$2,515,602,000), with overall gross profit margin of 29.3% (2015: 31.2%). Profit attributable to owners of the Company decreased 13.8% and 3.9% year-on-year respectively. If excluding the adjusted revenue for GSIL's acquisition of magnesium business in Xinjiang in 2015, the profit for the year and profit attributable to the owners of the Company only decreased by 8.4% and slightly dropped 0.4% respectively. Basic earnings per share are HK\$6.57 cents (2015: HK\$7.45 cents).

As the Group is in the process of production expansion including the fertilizer project with the newly established production capacity of 1,400,000 tonnes in Jiangxi and the acquisition of the renowned compound fertilizer business of Hongri Chemical, whose sales volume is expected to reach 700,000 tonnes in 2017, the annual capacity of the Group is expected to be 3 times more than the existing in the future. Given that the Group highly values the investment opportunity of the relevant project, and in consideration of the relevant capital expenditure and operating cash flow required for the above project expansion, the Board does not recommend the payment of the final dividend for the year ended 31 December 2016.

Fertilizer Business

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

The construction of several major projects of the Group has also picked up the pace. During the Year, the annual production capacity of Jiangsu production base reached

850,000 tonnes, the construction of the first phase of production line in Jiangxi Province with annual capacity of 1,400,000 tonnes has moved ahead considerably as compared to the scheduled commencement in 2018. The Group estimates that the production line of the first phase may commence production in the third quarter of 2017, with a fertiliser production capacity of 550,000 tonnes 400,000 tonnes of high tower fertiliser and 150,000 tonnes of compound fertiliser, while the remaining production capacity of 850,000 tonnes is expected to commence in 2019.

In order to enhance the presence and market penetration rate of the ecological compound fertiliser business of the Group in the northern, central and southern China production bases, as well as to expand the operation scale of the Group and to speed up the growth of our fertiliser business, the Group entered into an acquisition agreement to acquire 50.5% equity interest in Shandong Hongri Chemical Joint Stock Company., Ltd. (hereinafter referred to as “Hongri Chemical”) which is well-established with over 50 years of operating history. Hongri Chemical is the inventor of sulphur-based compound fertiliser and the manufacturer of the well-known compound fertiliser brand “*艷陽天*(Yanyangtian)” in China, and has an established business foundation and a significant brand influence. During the Year, Hongri Chemical carried out full inspection, and successfully resumed normal production. It is expected to commence production in 2017 with sales of approximately 700,000 tonnes of compound fertiliser products.

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

The Group believes that, with the gradual release of capacity at our two production bases in Jiangsu and Jiangxi Province, along with the official incorporation of Hongri Chemical into the Group, the fertiliser production capacity of the Group shall increase by 3 times compared to the current scale of production, thus successfully promote the soaring development of the Group’s fertiliser business.

Magnesium Business

The magnesium products of the Group included basic magnesium products and rare earth magnesium alloys. For the Year ended 31 December 2016, the magnesium product business contributed HK\$910,984,000 (2015: HK\$760,502,000) to the revenue of the Group. During the Year, as Xinjiang production base has commenced production, the overall sales volume of magnesium products significantly increased by 50.6% to 36,201 tonnes (2015: 24,031 tonnes). Furthermore, the sales volume of basic magnesium products has significantly increased by 98.1% year-on-year which was mainly attributable to the increase in sales of basic magnesium products in Xinjiang. Therefore, the overall gross profit of our magnesium segment was diluted to 29.0% (2015: 34.2%). In the circumstances where the selling prices remain stable, the sales revenue of magnesium products recorded a 19.8% growth.

Magnesium alloy is considered the green light alloy metal structure materials with highest potential in terms of development and design of green products. The Group has invested heavily in the research and development of magnesium alloy projects since 2008, and has become the leading enterprise within the industry. The Group currently holds a rich and high-quality reserve of dolomite mineral resource in Baishan City, Jilin Province, and has completed the construction of an advanced system to produce basic magnesium and magnesium alloy products with an annual production capacity of 25,000 tonnes in 2016. The phase two expansion project with a capacity of 50,000 tonnes is basically completed, with its newly added production lines to commence trial operation gradually.

Besides, GSIL, a subsidiary of the Group, has an established magnesium and semi-coke production lines in Xinjiang with an annual production capacity of 15,000 tonnes and 600,000 tonnes respectively. During the Year, the magnesium production line has successfully commenced production after technology upgrade and adjustment. GSIL's production base in Xinjiang has capacity of 100,000 tonnes magnesium alloys officially approved by the government. Upon completion of the expansion project, along with its existing production capacity, the aggregate production capacity of magnesium alloys of the Group is expected to reach 175,000 tonnes in the future, coupled with a number of patents in high performance magnesium alloy manufacturing methods and technologies held by the Group, we have achieved mutual integration of the independent supply of upstream raw material

resources and downstream production capacity, which provides good conditions and driving forces for the development of magnesium product business and would further enhance the market status of the Group within the magnesium industry, as well as accelerate the growth of the overall performance of the Group's magnesium business.

Mr Chi Wen Fu, Chairman of the Group said, "With the Group's professionalism, dedication and foundation built over the years, despite the turbulence in the global economies, the Group is expecting to benefit from the national policies that actively encourage agricultural modernization and application of new materials, so as to accelerate the development of two core businesses. The Group will continue to enhance the operational efficiency of the magnesium business and further facilitate the integration of the Group's magnesium business, and continuously optimise resources allocation to strengthen the core competitiveness of the Group.

During the Year, the Group announced the acquisition of Hongri Chemical, which further expanded our production capacity and sales network. With our fertilizer business well-established in Jiangsu, Shandong and Jiangxi production base covering northern, central and southern markets, we will enjoy better synergies with respect to the complimentary effects between technology, products, market and management. Looking ahead, the Group shall capture the good developmental opportunity to accelerate its industrial deployment and release of production capacity, and to create better returns for our 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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