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)

INSIDE INFORMATION

This announcement is made by Century Sunshine Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

As previously disclosed in the 2018 Annual Report, Shandong Hongri Chemical Joint Stock Company Limited ("**Shandong Hongri**"), a subsidiary of the Company, will initiate the implementation of the "Relocation of Industries from City Urban Area to Industrial Parks (退城入園)" plan ("**Relocation to Parks from Cities**") in accordance with the requirements of the Shandong Provincial Government. The Group will adjust and deploy operational strategies based on the situation of its production bases, make reasonable adjustments to the production plan, and carry out stage-by-stage production capacity transfer, in order to ensure the overall production and sales targets of the Group, and to fulfill customers' needs with respect to the Group's fertilizer products.

POTENTIAL GAINS FROM LAND APPRECIATION OF THE LAND THAT ACCOMMODATE THE ORIGINAL PLANT OF SHANDONG HONGRI AFTER CHANGE OF LAND USE

In accordance with the relevant policies of the Shandong Provincial Government on the "Relocation to Parks from Cities" and the reply letter from the local government, Shandong Hongri can use the land where the plant is originally located (the "**Land**") for independent development after obtaining approval for changing the industrial use of the Land. To align with the implementation and promotion of urban layout optimization plans by the local government, the Company expects to benefit from the value appreciation after the change of use of the Land, and reap additional gains.

The Company currently plans to change the use of the Land to commercial use, but the use of the Land after the change will eventually hinge upon the approval of relevant authorities in the PRC. Based on the valuation of the Land conducted by an independent valuer using market comparison approach, the Group estimates if the Land were changed from industrial land to commercial land on 30 June 2019 (being the valuation date), the value of the Land, as commercial land, would be RMB2.64 million per mu (equivalent to approximately RMB4,000 per sq.m.). Calculated based on the aggregate area of approximately 992.6 mu (equivalent to 661,729 sq.m.), after the change of use to commercial use, the value of the Land is expected to be over RMB2,600 million. The Company initially estimates that the disposal of the Land, if the Land is changed to commercial use, after the deduction of relevant expenses, will bring potential non-recurring income to the Group. As the Land can only be disposed of after being changed to commercial use and completion of relevant procedures for the change of use, and the Company is still not certain about (i) the specific amount of relevant expenses (including but not limited to the expenses in relation to the change of use of the Land); and (ii) whether there is any significant difference between the estimated value and price of the land as at the time of disposal and the valuation as at 30 June 2019, the eventual value appreciation of the Land, and the actual amount of additional gains to be received by the Company will only be determined after the completion of all the procedures.

As changing industrial land to commercial land may involve the relevant procedures and regulations, land use alteration procedures, land transfer procedures and requirements, etc., with various departments of the relevant PRC government authorities, the Group has for the time being not been able to determine the time required for completing all the relevant procedures. Moreover, the recent trade war between the PRC and the the United States has led to a more cautious attitude of some domestic property development companies towards formulating strategies on increasing corporate land reserves. All the above factors may extend the time needed for the Group to realize the final disposal gains on the Land.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

STAGE-BY-STAGE TRANSFER OF PRODUCTION CAPACITY OF SHANDONG HONGRI TO OTHER PRODUCTION BASES OF THE GROUP AND BUSINESS DEVELOPMENT

With the implementation of the "Relocation to Parks from Cities" work programme, the Group estimates that the stage-by-stage production capacity transfer of the Group's Shandong production base will be completed in 2020. As at 31 December 2018, Shandong Hongri had fixed assets of approximately RMB700 million. In 2018, Shandong Hongri contributed to the Group a production volume of approximately 500,000 tonnes of compound fertilizer. During the processes of implementing the "Relocation to Parks from Cities" plan, Shandong Hongri has gradually reduced and has eventually ceased production in the production base, and the majority of its production will be taken over by the Group's Jiangxi production base and Jiangsu production base respectively. Before the completion and commencement of operation of Phase II of the Jiangxi Plant, the Group will make reasonable adjustments to its production plan and inventory level based on the orders and delivery schedules of clients in different sales regions, sufficiently increase the utilisation rate of the production equipment in the Jiangsu and Jiangxi plants, in order to reduce the impact of closing the original plant of Shandong Hongri on the production volume of compound fertilizer. Furthermore, the Group will optimize its product structure to increase its overall gross profit margin and increase net profits to reduce the impact of the decrease in sales revenue. Taking into account the above measures, the board of directors of the Company (the "**Board**") considers that the gradual cessation of production of Shandong Hongri has no material and adverse impact on the operation and financial performance of the Group. In the long run, the Company will decide the scale and timing of the construction of the new production base of Shandong Hongri based on market conditions and the production capacity utilisation rate of Phase II of the Jiangxi production line when completed. If a new Shandong Hongri factory is to be built in an industrial park, the Group will make additional investments in factory building.

During the processes of implementing the "Relocation to Parks from Cities" plan, the corporate entity of Shandong Hongri remains in existence in spite of the gradual production reduction and cessation of the original plant of Shandong Hongri, and it continues to operate through its subsidiary, Hongri Sales Company, whose sales activities will not be affected. With its famous brands influence, mature market networks and a large number of long-term loyal customer groups as a solid foundation, the Group will focus on future development of the fertilizer sales and agricultural services to meet market and consumer demands. As a company with invention patents for potassium sulfate compound fertilizer, Shandong Hongri has soft strengths such as strong research and development capacities, well-known brand effect and sound sales networks, which will continue to bring competitive advantages to the development of the Group.

SUPPORT FROM LOCAL GOVERNMENTS AND FINANCIAL INSTITUTIONS IN RELATION TO THE "RELOCATION TO PARKS FROM CITIES" WORK PROGRAMME

The two levels of city and district governments in Linyin have attached great importance to Shandong Hongri's plans for "Relocation to Parks from Cities". Pursuant to the conference held by the district government, district CPPCC, Finance Supervision Bureau, etc. of Luozhuang District, where Shandong Hongri operates, with financial institutions in April 2019 in respect of the "Relocation to Parks from Cities" of Shandong Hongri, it was determined in the meeting that, among others, Shandong Hongri shall fully perform its main obligations of implementing the transition and upgrade of the "Relocation to Parks from Cities". During the period when Shandong Hongri changes its Land use for the "Relocation to Parks from Cities", the parties at the meeting shall give full support to the development of Shandong Hongri, so as to allow it to carry out with the relevant work for the "Relocation to Parks from Cities" plan, secure Shandong Hongri's interests during the transition period, and eliminate uncertainties from financial policies.

THE RESETTLEMENT OF STAFF OF SHANDONG HONGRI INVOLVED IN THE THE "RELOCATION TO PARKS FROM CITIES" PLAN

In respect of the implementation of the "Relocation to Parks from Cities" plan, Shandong Hongri has passed its Employees Relocation Scheme at the employees' representatives meeting of Shandong Hongri on 17 May 2019. The Group will actively and properly carry out the resettlement of employees, and divert employees to work in the Jiangsu production base and the Jiangxi production base on a voluntary basis and in an orderly manner. For those employees who voluntarily give up the resettlement option, Shandong Hongri will terminate labour contracts with them in accordance with the relevant laws and regulations in the PRC.

Having consolidated the adjustments to and assessment of the above strategies, the Board is of the view that the implementation of the "Relocation to Parks from Cities" work programme will not give rise to any material impact to the general business operation of the Group.

By Order of the Board
Century Sunshine Group Holdings Limited
Chi Wen Fu
Chairman

Hong Kong, 23 July 2019

As at the date of this announcement, the Directors are:

Executive Directors:	*Mr. Chi Wen Fu, Mr. Shum Sai Chit and Mr. Chi Jing Chao*
Non-executive Director:	*Mr. Guo Mengyong*
Independent non-executive Directors:	*Mr. Cheung Sound Poon, Mr. Sheng Hong and Mr. Lau Chi Kit*