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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of Century Sunshine Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") has not been completed. In the meanwhile, the board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018 as follows:

UNAUDTIED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 (Unaudited) HK$'000	2018 (Audited) HK$'000
Revenue	4	**4,314,420**	4,655,116
Cost of sales		**(3,251,036)**	(3,512,857)
Gross profit		**1,063,384**	1,142,259
Other gains or losses, net	6	**104,572**	75,324
Selling and marketing costs		**(107,917)**	(133,673)
Administrative expenses		**(307,615)**	(233,530)
Exchange differences, net		**(7,159)**	6,403
Finance costs	7	**(153,664)**	(164,943)
Profit before income tax		**591,601**	691,840
Income tax expense	8	**(163,347)**	(150,318)
Profit for the year from continuing operations	9	**428,254**	541,522
Discontinued operations:			
Profit for the year from discontinued operations		**–**	31,315
Profit for the year		**428,254**	572,837

	Notes	**2019** **(Unaudited)** ***HK$'000***	2018 (Audited) *HK$'000*
Profit for the year attributable to:			
Owners of the Company			
— from continuing operations		**380,368**	451,614
— from discontinued operations		**–**	22,616
Non-controlling interests			
— from continuing operations		**47,886**	89,908
— from discontinued operations		**–**	8,699
		428,254	572,837
Earnings per share:			
From continuing and discontinued operations			
– basic (HK cents)	11	**8.30 cents**	10.35 cents
– diluted (HK cents)	11	**8.30 cents**	10.35 cents
From continuing operations			
– basic (HK cents)	11	**8.30 cents**	9.86 cents
– diluted (HK cents)	11	**8.30 cents**	9.86 cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Profit for the year	**428,254**	572,837
Other comprehensive income/(loss), net of income tax:		
Items that may be reclassified subsequently to profit or loss:		
Release of reserve upon disposal of subsidiaries	**–**	692
Exchange differences arising from translation of foreign operations	**(128,864)**	(279,090)
Other comprehensive loss for the year (net of income tax)	**(128,864)**	(278,398)
Total comprehensive income for the year	**299,390**	294,439
Total comprehensive income for the year attributable to:		
Owners of the Company		
– from continuing operations	**275,973**	208,652
– from discontinued operations	**–**	20,443
Non-controlling interests		
– from continuing operations	**23,417**	57,161
– from discontinued operations	**–**	8,183
	299,390	294,439

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 (Unaudited) HK$'000	2018 (Audited) HK$'000
Non-current assets			
Land use rights		**–**	285,216
Right-of-use assets		**287,442**	–
Property, plant and equipment		**3,866,144**	3,767,246
Goodwill		**197,368**	197,368
Intangible assets		**348,142**	360,660
Mining rights		**428,468**	448,460
Long-term bank deposits		**9,604**	9,758
		5,137,168	5,068,708
Current assets			
Equity instruments at fair value through profit or loss		**8,782**	3,876
Inventories		**471,760**	689,456
Land use rights		**–**	13,492
Trade and bills receivables	12	**461,381**	373,732
Prepayments, deposits and other receivables		**634,397**	503,926
Bank and cash balances		**823,058**	708,049
		2,399,378	2,292,531
Asset classified as held for sale		**91,019**	113,328
		2,490,397	2,405,859
Less: Current liabilities			
Trade and bills payables	13	**291,863**	601,886
Accruals and other payables		**217,096**	214,709
Contract liabilities		**186,707**	348,889
Lease Liabilities		**1,962**	–
Income tax payable		**22,397**	40,962
Borrowings		**1,524,157**	836,992
Exchangeable bonds		**120,640**	250,464
		2,364,822	2,293,902
Net current assets		**125,575**	111,957
Total assets less current liabilities		**5,262,743**	5,180,665

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Less: Non-current liabilities		
Deferred revenue	**68,283**	69,772
Other payables	**223,410**	10,310
Lease liabilities	**5,870**	–
Borrowings	**536,086**	977,617
Deferred tax liabilities	**159,183**	166,348
	992,832	1,224,047
Net assets	**4,269,911**	3,956,618
Capital and reserves attributable to owners of the Company		
Share capital	**101,419**	101,419
Reserves	**3,727,404**	3,426,466
	3,828,823	3,527,885
Non-controlling interests	**441,088**	428,733
Total equity	**4,269,911**	3,956,618

NOTE TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 and metallurgical flux 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 unaudited 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 unaudited 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 unaudited 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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatment
HKFRS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKFRS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's unaudited financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

Transition and summary of effects arising from initial application of HKFRS 16

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, adjusted by the amount of any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of premises in the PRC was determined on a portfolio basis;

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities is range from 5.07% to 7.03%.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited)
	HK$'000
Operating lease commitment at 31 December 2018	10,800
Less: total future interest expenses	(3,759)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	7,041
Less: practical expedient-leases with lease term ending within 12 months from date of initial application	(50)
Lease liabilities as at 1 January 2019	6,991
Analysis as:	
Non-current	4,692
Current	2,299
	6,991

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	(Unaudited) *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(a)	6,991
Add: Reclassification from land use rights	(b)	298,708
		305,699

	(Unaudited) *HK$'000*
Leased premises	6,991
Land use rights	298,708
	305,699

Notes:

(a) The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities at 1 January 2019.

(b) Upfront payments for leasehold lands in the PRC for own used properties were classified as land use right as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of land use right amounting to HK$13,492,000 and HK$285,216,000 respectively were reclassified to right-of-use assets at 1 January 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's unaudited consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018 (Audited) *HK$'000*	Reclassification (Unaudited) *HK$'000*	Adjustments (Unaudited) *HK$'000*	**Carrying amount under HKFRS 16 at 1 January 2019 (Unaudited)** ***HK$'000***
Non-current Assets				
Right-of-use assets (Note 1)	—	298,708	6,991	**305,699**
Land use right (Note 2)	285,216	(285,216)	—	**—**
Current Assets				
Land use right (Note 2)	13,492	(13,492)	—	**—**
Liabilities				
Lease liabilities	—	—	(6,991)	**(6,991)**

Note:

(1) The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of HKD305,699,000 and lease liabilities of HKD6,991,000 at the initial adoption of HKFRS 16.

(2) Upfront payments for leasehold lands in the PRC own used properties were classified as land use right as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of land use right amounting to HK$13,492,000 and HK$285,216,000 respectively were classified to right-of-use assets.

New and amendments to HKFRSs on issue but not effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

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

In addition to the above new and amendments to HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework" in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020. The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the unaudited consolidated financial statements in the foreseeable future.

4. REVENUE

The Group is principally engaged in fertiliser business, magnesium product business and metallurgical flux business. An analysis of the Group's revenue for the year is as follows:

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Continuing operations:		
Sales of fertiliser products	**2,735,195**	3,053,183
Sales of magnesium products	**1,515,291**	1,537,781
Sales of metallurgical flux products	**63,934**	64,152
	4,314,420	4,655,116
Timing of revenue recognition:		
A point in time	**4,314,420**	4,655,116

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

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 2019:

	Continuing operations			
	Fertiliser business (Unaudited) ***HK$'000***	**Magnesium product business (Unaudited)** ***HK$'000***	**Metallurgical flux business (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***
Segment revenue	**2,735,195**	**1,515,291**	**65,016**	**4,315,502**
Inter-segment revenue	**–**	**–**	**(1,082)**	**(1,082)**
Revenue from external customers	**2,735,195**	**1,515,291**	**63,934**	**4,314,420**
Segment results	**526,484**	**350,825**	**28,392**	**905,701**
Other gains or losses, net				**96,396**
Central administrative costs				**(256,832)**
Finance costs				**(153,664)**
Profit before income tax				**591,601**

For the year ended 31 December 2018:

	Continuing operations			
	Fertiliser business (Audited)	Magnesium product business (Audited)	Metallurgical flux business (Audited)	Total (Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	3,053,183	1,537,781	71,961	4,662,925
Inter-segment revenue	–	–	(7,809)	(7,809)
Revenue from external customers	3,053,183	1,537,781	64,152	4,655,116
Segment results	585,390	355,376	29,042	969,808
Other gains or losses, net				75,324
Central administrative costs				(188,349)
Finance costs				(164,943)
Profit before income tax				691,840

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 net gains or losses, 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 2019 and capital expenditure for the year then ended by reportable segments are as follows:

	Fertiliser business (Unaudited) *HK$'000*	**Magnesium product business (Unaudited)** *HK$'000*	**Metallurgical flux business (Unaudited)** *HK$'000*	**Total segment (Unaudited)** *HK$'000*	**Unallocated (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Segment assets	**3,509,692**	**2,478,920**	**598,761**	**6,587,373**	**1,040,192**	**7,627,565**
Segment liabilities	**1,359,796**	**359,925**	**167,921**	**1,887,642**	**1,470,012**	**3,357,654**
Capital expenditure	**304,931**	**114,891**	**11,478**	**431,300**	**507**	**431,807**

The segment assets and liabilities as at 31 December 2018 and capital expenditure for the year then ended by reportable segments are as follows:

	Fertiliser business (Audited) *HK$'000*	Magnesium product business (Audited) *HK$'000*	Metallurgical flux business (Audited) *HK$'000*	Total segment (Audited) *HK$'000*	Unallocated (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment assets	3,534,478	2,413,354	622,173	6,570,005	904,562	7,474,567
Segment liabilities	1,523,705	405,710	137,767	2,067,182	1,450,767	3,517,949
Capital expenditure	442,251	204,255	20,437	666,943	32,862	699,805

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, bank and cash balances and other assets for corporate use;

— all liabilities are allocated to reportable segments other than exchangeable bonds, borrowings for corporate use, certain other payables and liabilities held by discontinued operations.

Other Segment Information

For the year ended 31 December 2019:

	Fertiliser business (Unaudited) *HK$'000*	Magnesium product business (Unaudited) *HK$'000*	Metallurgical flux business (Unaudited) *HK$'000*	Unallocated (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Depreciation of property, plant and equipment	95,909	86,277	8,935	655	191,776
Depreciation of right-of-use assets	7,239	1,320	2,013	2,134	12,706
Amortisation of mining rights and intangible assets	–	4,949	9,996	–	14,945
Allowance/(Reversal of allowance) for credit losses of trade receivables	3,065	(1,972)	–	–	1,093
Allowance for credit losses of other receivables	1,839	170	–	–	2,009
Gain on disposal of property, plant and equipment	(41,427)	(662)	–	–	(42,089)
Gain on equity instruments at fair value through profit or loss	–	–	–	(4,906)	(4,906)
Income tax expenses	102,170	53,396	7,781	–	163,347

For the year ended 31 December 2018:

	Fertiliser business (Audited) *HK$'000*	Magnesium product business (Audited) *HK$'000*	Metallurgical flux business (Audited) *HK$'000*	Unallocated (Audited) *HK$'000*	Total (Audited) *HK$'000*
Depreciation of property, plant and equipment and investment properties	89,593	71,009	9,568	7,565	177,735
Amortisation of land use rights, mining rights and intangible assets	14,630	8,948	13,496	2,755	39,829
Reversal of credit losses of trade receivables	(55)	–	–	–	(55)
Reversal of credit losses of other receivables	(994)	–	–	–	(994)
Gain on disposal of property, plant and equipment and land use right	–	–	–	(56,365)	(56,365)
Loss on equity instruments at fair value through profit or loss	–	–	–	7,744	7,744
Income tax expenses	94,444	49,835	5,933	106	150,318

Geographical Information

During the years ended 31 December 2019 and 2018, 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 2019 and 31 December 2018. 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 2019 and 2018.

6. OTHER GAINS OR LOSSES, NET

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Continuing operations:		
Interest income	**7,835**	6,651
Loss on disposal of assets classified as held-for-sale	**(2,435)**	–
Gain on disposal of property, plant and equipment	**42,089**	56,365
Government subsidy	**–**	489
Change in fair value of financial guarantee liabilities	**8,606**	11,168
Change in fair value of equity instruments at fair value through profit or loss	**4,906**	(7,744)
Sale of scrap materials	**33,278**	3,569
Sundry income	**10,293**	4,826
	104,572	75,324

7. FINANCE COSTS

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Continuing operations:		
Interest expenses on listed subordinated notes	**40,775**	41,213
Interest expenses on exchangeable bonds	**28,325**	41,039
Interest on borrowings wholly repayable within five years	**84,060**	82,691
Interest on lease liabilities	**504**	–
	153,664	164,943

8. INCOME TAX EXPENSE

The amount of charged/(credited) to the unaudited consolidated statement of profit or loss represents:

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**–**	–
– PRC Enterprises Income Tax	**164,980**	155,732
	164,980	155,732
Deferred taxation	**(1,633)**	(5,414)
	163,347	150,318

(a) ***Hong Kong Profits Tax***

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25% and profits tax above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Group considered the amount involved upon implementation of the two-tiered profits tax rate as insignificant to the unaudited consolidation financial statement. Hong Kong Profits Tax is calculated at 16.5% for both years. No tax is payable for the year ended 31 December 2019 (2018: Nil) since there were 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 2019 and 2018.

(c) ***Overseas Income Tax***

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, are exempted from British Virgin Islands income tax.

9. PROFIT FOR THE YEAR

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

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Auditors' remuneration		
Audit and audit related work		
– HLB Hodgson Impey Cheng Limited	**3,527**	3,276
Non-audit work		
– HLB Hodgson Impey Cheng Limited	**944**	663
Depreciation and amortisation	**219,427**	217,564
Net gain on disposal of property, plant and equipment	**(42,089)**	(56,365)
Fair value change in equity instrument at fair value through profit or loss	**(4,906)**	7,744
Cost of inventories recognised as an expense	**3,090,078**	3,309,675
Previously classified as operating lease under HKAS 17	**–**	3,421
Allowance for credit loss of trade receivables	**3,065**	–
Allowance for credit loss of other receivables	**2,009**	807
Reversal of allowance for credit loss of trade receivables	**(1,972)**	(55)
Reversal of allowance for credit loss of other receivables	**–**	(994)

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: 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.

	2019	2018
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations (HK$'000)	**380,368**	451,614
From a discontinued operation (HK$'000)	**–**	22,616
	380,368	474,230
Weighted average number of ordinary shares in issue (thousand shares)	**4,581,117**	4,581,117
Basic earnings per share (HK cents per share)		
Continuing operations and discontinued operation	**8.30**	10.35
Continuing operation	**8.30**	9.86

(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 one categories of dilutive potential ordinary shares: share options.

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 2019 and 2018.

12. TRADE AND BILLS RECEIVABLES

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables (note (i))	**466,119**	371,071
Allowance for credit losses	**(15,876)**	(15,148)
	450,243	355,923
Bills receivables (note(ii))	**11,138**	17,809
	461,381	373,732

note:

(i) The Group allows a credit period normally not more than 180 days (2018: not more than 180 days) to its trade customers.

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

(ii) As at 31 December 2019, bills receivables of approximately HK$11,138,000 (2018: HK$17,809,000) will be matured within seven months (2018: eleven months) after the end of the reporting period. All the bills receivables are denominated in RMB.

As at 31 December 2019, the ageing analysis of the trade receivables of the Group presented based on the invoice date and net of allowance for credit losses was as follows:

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 30 days	**231,951**	168,921
31 to 60 days	**159,223**	101,335
61 to 90 days	**56,541**	42,690
Over 90 days	**2,528**	42,977
	450,243	355,923

The movements of allowance for credit losses of trade receivables are as follows:

	HK$'000
As at 1 January 2018 (audited)	**9,974**
Effect of adoption of HKFRS 9	**7,159**
As at 1 January 2018 (restated) (audited)	**17,133**
Allowance for credit losses reversed	**(55)**
Disposal of discountinued operations	**(1,102)**
Exchange alignment	**(828)**
As at 31 December 2018 and 1 January 2019 (audited)	**15,148**
Allowance for credit losses recognised	**3,065**
Reversal of allowance for credit losses recognised	**(1,972)**
Exchange alignment	**(365)**
As at 31 December 2019 (unaudited)	**15,876**

13. TRADE AND BILLS PAYABLES

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables	**251,793**	431,711
Bills payables	**40,070**	170,175
	291,863	601,886

As at 31 December 2019 and 2018, the ageing analysis of trade payables of the Group presented based on the invoice date was as follows:

	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 30 days	**189,215**	267,923
31 to 60 days	**4,428**	60,460
61 to 90 days	**2,190**	12,801
Over 90 days	**55,960**	90,527
	251,793	431,711

The average credit period on purchases of goods is 60 to 90 days (2018: 60 to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Throughout the year ended 31 December 2019 (the "Year"), the Group recorded an overall revenue of HK$4,314,420,000 (2018: HK$4,655,116,000), representing a year-on-year decrease of approximately 7.3%, with an overall gross profit margin of 24.6% (2018: 24.5%). The profits after tax from continuing operations was HK$428,254,000, representing a decrease of approximately 20.9% as compared with HK$541,522,000 of the same period of last year. Revenue from the fertiliser business during the Year was HK$2,735,195,000 (2018: HK$3,053,183,000), representing a year-on-year decrease of approximately 10.4%, which was mainly because the production volume were decreased due to the implementation of "Relocation to Park from City" by Shandong Hongri production base. Average gross profit margin of the fertiliser business was relatively stable of approximately 22.5% (2018: 22.5%). Revenue from the magnesium product business held by the Group through REMT was HK$1,515,291,000 (2018: HK$1,537,781,000) during the Year, representing a year-on-year decrease of approximately 1.5%. The decrease in revenue was caused by the effects of devaluation of RMB to HKD as compared to the same period last year. Meanwhile, the percentage of the production and sales volume of rare earth magnesium alloy products during the Year has increased 2 percentage points compared to the corresponding period last year, which drove the average gross profit margin of the magnesium product business to approximately 27.5% (2018: 26.6%).

Ecological Fertiliser Business

The production was transferred from Shandong Hongri to two production bases of Jiangsu and Jiangxi

Shandong Hongri Chemical Joint Stock Company, Ltd. ("Shandong Hongri"), a subsidiary of Century Sunshine Group implemented the "Relocation to Park from City" in 2019 under the requirement of the policy from Shandong Provincial Government, resulted in reduction of production volume in Shandong Hongri production base, and its production volume will be taken over by the Group's Jiangxi and Jiangsu production bases respectively. The Group strategically consolidated customer orders adjusted its production plan, to achieve the Group's overall production and sales targets and to satisfy the customers' demand. While transferring production capacity step by step, according to the "Shandong Hongri Employees Relocation Scheme" reviewed and approved at the employees' representatives meeting, Shandong Hongri was diverting employees to Jiangsu production base and Jiangxi production base on a voluntary basis and in an orderly manner. For those employees who voluntarily give up the resettlement option, the resettlement compensation shall be given in accordance with the relevant laws and regulations in the PRC. In December 2019, the local government approved that the "Relocation to Park from City" project could be carried out in accordance with the document of Luzheng Banzi (2019) No. 144 (魯政辨字（2019）144號) by Shandong Hongri, and actively pursued the takover of the land, and the approval and public transfer of land use. The land would be changed from industrial use to commercial use, as such, the Company expects to benefit from the potential appreciation of the value of the land with an extraordinary income. Therefore, management is of the view that the implementation of the "Relocation to Park from City" by Shandong Hongri did not give rise to any material and adverse impact to the operation of the Group, and the increase in the value of the land will contribute to the appreciation of the Company's assets.

Leveraging on brand recognition

During the Year, Jiangsu production base successfully expanded and built a production line of 200,000 tonnes Hongri type sulphur-based compound fertiliser through upgrading technology, which originated from the patent technology of spray granulation, which is derived from Shandong Hongri, best known as"Father of China's sulphur-based fertiliser". As a leader of compound fertiliser industry in the PRC, Shandong Hongri has made great contribution to fertiliser industry and agricultural development in the PRC, by replacing of single-nutrient fertiliser with compound fertiliser across the PRC and benefits the whole population.

The brand reputation for "Yanyangtian (豔陽天)", "Le He He (樂呵呵)" has been further raised. During the Year, "Yanyangtian (豔陽天)" was rewarded as "China's Best Efficiency Fertiliser Brand (中國增效肥料優秀品牌)", and it's brand influence and stable product quality were well-known in China's agricultural market.

Diversifying products portfolio drove by innovation

The Group has been further optimizing its management model by synergizing the procurement and production bases, so as to leverage on its bargaining power to reduce procurement cost. In respect of enhancing brand management and product innovation, we have been focusing on products' research and development and innovation, and have launched alginic acid fertiliser (海藻酸肥料) under the brand of "Yanyangtian (豔陽天)", Sheng Ming Yuan high tower sulphur-based compound fertiliser (生命元高塔硫基複合肥料) under the brand of "Feng Shou (豐收)" and a series of products of "Yang Guang No.1 (陽光一號)" under the brand of "Le He He (樂呵呵)". These new green ecological fertiliser products can improve the diversity of land, inhibit soil diseases, trigger the crops immune system, enhance crops strength, increase crop output, and effectively improve the utilization of fertiliser. They can be applied to various economic crops and field crops.

The Group's fertiliser business comprised two production bases in Jiangsu and Jiangxi and three sales companies. The fertiliser sales network covers strategic markets across the nation. The Group continues to pursue the synergy between research and production, drive high-quality development through upgrading technology and innovation, enhance the corporate's core competitiveness, and provide diversified, high-quality, and efficient green fertiliser products to the market.

Magnesium Product Business

The Group engages in its magnesium product business through Rare Earth Magnesium Technology Group Holdings Limited ("REMT"). The Group proactively explored new customers, provided various product resolutions and differentiated products which have been well recognised by customers. In September 2019, the Group's magnesium product was recognized by Alunorf, the biggest aluminum processing company of the world, which has brought opportunities for the Group to expand its international business. The Group will optimize its customer bases by increasing the proportion of large customers, and continue to entrench its foundation and to drive of magnesium business at a high speed.

Prospect

The Group's two green industries will continue to benefit from the opportunities arising from the Chinese governments' favorable industrial policies. In October 2019, National Development and Reform Commission (the "NDRC") of the PRC revised and issued "Catalogue for the Guidance of Industrial Structure Adjustment (2019 Version)"(《產業結構調整指導目錄(2019年本)》), in which the "development and application of organic fertiliser industrialization technology" were included in the class of agriculture product to promote; on the other hand, the "magnesium alloys" were included in the application of lightweight materials. The important role and development potential of magnesium alloys were recognized in the construction of light weight vehicles. In respect of organic fertiliser, the Ministry of Agriculture of the People's Republic of China selected 100 demonstration counties to grant government subsidies of RMB10 million per county in 2017, and the number was increased to 175 counties in 2019 to encourage farmers to use organic fertiliser. The proportion of green ecological fertiliser to the total fertiliser application will increase from the current 10% to 30% in the future, providing a broad market space for the sustainable development of the Group's green ecological fertiliser business. The management has always adhered to the principles of green, environmental friendly and sustainability to strengthen the product differentiation strategy, actively seize the development opportunities, and promote sustainable and healthy development of the Company.

In the early 2020, the Coronavirus disease (COVID-19) outbreak swept across China. The Chinese government has been quick and decisive to take the strongest measures to contain the disease. With a level I public health emergency declared by affected provinces and cities, people could not return to work on time due to the restriction arising from epidemic control and prevention measures, and the traffic jam caused by returning to factories after the Lunar New Year holiday. In respond to the Chinese governments' call for including such agricultural materials as chemical fertilisers and pesticides in the scope of the State Council's joint prevention and control mechanism for living supplies, and the urge of agricultural enterprise to resume work and production, supporting them increase market supply and serve the needs for spring ploughing, the Company's production bases gradually resumed work and production in mid-February. During the outbreak period, the Company and employees worked jointly to fight the epidemic, minimise the risk from public hygiene on the production and sales. The management proactively performed various work to maintain a stable and orderly production operation on the basis of ensuring the health and safety of employees. The sales and procurement departments were encouraged to collaborate with each other through the internet, maintain remote communication with customers and suppliers, and promptly adjust contingency plans for customers. The production and marketing strategies should be reasonably adjusted based on market changes to increase the supply of ecological fertilisers and functional fertilisers with high gross profit margin and minimize the losses caused by the epidemic.

Key Operational Data

Unaudited key operational data for the year ended 31 December 2019, together with the comparative figures for the corresponding period in 2018, is as follows. Main businesses listed below contributed over 98% of the Group's total revenue for the year ended 31 December 2019.

(a) **Sales volume of major products:**

	2019	2018	(Decrease)
	Tonnes	Tonnes	%
Fertiliser business	**1,091,589**	1,285,612	(15.1)
Magnesium product business	**60,559**	61,463	(1.5)

(b) **Average selling price of major products:**

	2019	2018	Increase
	HK$/ Tonnes	HK$/ Tonnes	%
Fertiliser business	**2,506**	2,375	5.5
Magnesium product business	**25,022**	24,993	0.1

(c) **Gross profit margin:**

	2019	2018	Increase percentage point
	%	%	
Fertiliser business	**22.5**	22.5	–
Magnesium product business	**27.5**	26.6	0.9
The Group's gross profit margin	**24.6**	24.5	0.1

Operating income and gross profit

During the Year, the Group recorded revenue of approximately HK$4,314,420,000, being year-on-year decrease of approximately 7.3%. Contribution by our Group's dual core businesses: fertiliser business and magnesium product business, accounting for 63.4% and 35.1% (2018: 65.6% and 33.0%) of revenue respectively.

Revenue and sales volume of fertiliser business were approximately HK$2,735,195,000 and 1,091,589 tonnes, being year-on-year decrease of 10.4% and 15.1%, respectively. As mentioned, we are implementing the "Relocation to Park from City" plan for Shandong Hongri production base and have been gradually transferred the production to our Jiangxi and Jiangsu production bases, thereby reduced our sales volume by approximately 15.1% year-on-year. Benefited from the overall increase in selling price of our fertilisers, the gross profit margin has remained relatively stable at approximately 22.5%.

During the Year, the revenue of the magnesium production business was HK$ 1,515,291,000 (2018: HK$1,537,781,000), representing a decrease of 1.5%; the total sales volume was decreased to 60,559 tonnes during the Year from 61,463 tonnes in 2018, and the overall gross profit margin increased 0.9% to 27.5%. The decrease in revenue was mainly attributable to the effects of devaluation of RMB to HKD during the Year. Nevertheless, the Group has still maintained the core competitiveness of high gross margin rare earth magnesium alloy products, driving up the growth of gross margin.

Other gains or losses, net

Other net gains or losses were approximately HK$104,572,000, an increase of approximately 38.8% year-on-year, mainly due to the increase in sales of scrap materials. Income from sales of scrap material was approximately HK$33,278,000 for current year (2018: HK$ 3,569,000). Other major items included the gain on disposal of property, plant and equipment and changes in fair value of financial guarantee liabilities, which were approximately HK$42,089,000 and HK$8,606,000 respectively (2018: HK$ 56,365,000 and HK$ 11,168,000).

Selling and marketing expenses

Selling and marketing expenses of approximately HK$107,917,000 (2018: HK $ 133,673,000) accounted for 2.5% (2018: 2.9%) of revenue, which mainly consisted of market operating expenses and sales staff salaries, and sales and distribution expenses.

Administrative expenses

Administrative expenses mainly include staff compensation, depreciation and amortisation, auditing and professional expenses. Administrative expenses for the current year were approximately HK$307,615,000 (2018: HK$ 233,530,000), an increase of approximately HK$74,085,000 or 31.7% year-on-year.

Due to the gradual reduction of production at the Shandong Hongri production base, its depreciation and amortisation during the Year is required to be reclassified from production costs to administrative expenses, increasing administrative expenses by approximately HK$30,188,000. In addition, Jiangsu production base undertook relevant repair and maintenance while taking up the integration of Shandong Hongri's production capacity, incurring repair and maintenance costs of approximately HK$11,673,000. In addition, the Company and REMT have granted share options during the Year to provide incentives or rewards to eligible persons, resulting in a total equity settlement fee of approximately HK$22,969,000, recognized as expense for this year.

Finance expenses

Finance costs were approximately HK$153,664,000, representing a decrease of approximately 6.8% year-on-year, mainly resulted from decrease in effective interest rate of the exchangeable bond upon extension and reduced bills financing, thereby reducing the proportion of high-interest financing.

Income tax expense

The income tax expense for this period was approximately HK$ 163,347,000, representing an increase of approximately 8.7% year-on-year. During this period, the Jiangxi production base began to take up the production and sales volume of Shandong Hongri production base, exercised economies of scale, effectively controlled costs and expenses, and increased the profit of the fertiliser business. Income tax expenses were so increased accordingly.

Margin

During the Year, the Group's after-tax profit from continuing operations was approximately HK$428,254,000, representing a decrease of approximately 20.9% year-on-year. During the year, the Group persisted to have cash inflow generated from operations. The EBITDA for 2019 was approximately HK$964,692,000 (2018: HK$1,105,662,000). The year to year comparison was about a decrease of 12.7%.

Final Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

Liquidity, Liabilities and Financial Resources

The Group's liquidity in 2019 was mainly derived from cash generated from business operations and financing activities during the Year. As at 31 December 2019, total amount of bank and cash balances of the Group was approximately HK$832,662,000 (2018: HK$717,807,000).

As at 31 December 2019, the Group's total borrowings increased by approximately 5.6% as compared to 2018, while net current assets increased by approximately 12.2% as compared to 2018. The Group's gearing ratio (calculated by total borrowings over total assets) was approximately 28.6% in 2019 (2018: 27.6%).

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year of 2019, 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 June 2019 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) and Mr. Sheng Hong (being an independent non-executive Director) was unable to attend the general meeting held on 26 June 2019 as they were obliged to be away for business trips. Mr. Kwong Ping Man (being an independent non-executive Director who has retired from the Board on 26 June 2019) was also unable to attend the annual general meeting held on 26 June 2019 for personal engagement.

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, 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. Cheung Sound Poon (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. Cheung Sound Poon (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 UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company’s auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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