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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**

*(in provisional liquidation)*

*(for restructuring purposes only)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 509)**

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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 2021 (the “**Period**”) together with comparative figures:

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Notes</i>	2021 (unaudited) <i>HK\$'000</i>	2020 (unaudited) <i>HK\$'000</i>
Revenue	4	817,068	1,106,575
Cost of sales		<u>(751,473)</u>	<u>(916,796)</u>
Gross profit		65,595	189,779
Other gains or losses, net		38,260	24,161
Selling and marketing costs		(21,393)	(27,662)
Administrative expenses		(99,574)	(123,142)
Net allowances on expected credit loss on trade receivables		(18,103)	—
Change in fair value of financial guarantee liabilities	14	(32,045)	—
Exchange differences, net		8,836	20,024
Finance costs	6	<u>(100,751)</u>	<u>(74,711)</u>
(Loss)/Profit before income tax		(159,175)	8,449
Income tax expense	7	<u>(7,661)</u>	<u>(26,107)</u>
Loss for the period	8	<u><u>(166,836)</u></u>	<u><u>(17,658)</u></u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(133,578)	(6,708)
Non-controlling interests		<u>(33,258)</u>	<u>(10,950)</u>
		<u><u>(166,836)</u></u>	<u><u>(17,658)</u></u>
<b>Loss per share:</b>			
— basic	9(a)	<u><u>(2.92) HK cents</u></u>	<u><u>(0.15) HK cents</u></u>
— diluted	9(b)	<u><u>(2.92) HK cents</u></u>	<u><u>(0.15) HK cents</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021*

	<b>2021</b> <b>(unaudited)</b> <b>HK\$'000</b>	2020 (unaudited) HK\$'000
<b>Loss for the period</b>	<u><b>(166,836)</b></u>	<u>(17,658)</u>
<b>Other comprehensive income/(expenses), net of income tax:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of foreign operations	<u><b>42,915</b></u>	<u>(95,651)</u>
<b>Other comprehensive income/(expenses) for the period (net of income tax)</b>	<u><b>42,915</b></u>	<u>(95,651)</u>
<b>Total comprehensive expenses for the period</b>	<u><u><b>(123,921)</b></u></u>	<u><u>(113,309)</u></u>
<b>Total comprehensive expenses for the period attributable to:</b>		
Owners of the Company	<u><b>(98,438)</b></u>	(87,445)
Non-controlling interests	<u><b>(25,483)</b></u>	<u>(25,864)</u>
	<u><u><b>(123,921)</b></u></u>	<u><u>(113,309)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	3,743,132	3,693,366
Investment properties		105,003	104,896
Right-of-use assets	11	293,062	296,330
Goodwill		151,116	151,116
Intangible assets		367,791	366,511
Mining rights		452,894	449,642
Long term bank deposits		—	59
		<b>5,112,998</b>	<b>5,061,920</b>
<b>Current assets</b>			
Equity instruments at fair value through profit or loss		5,083	8,737
Inventories		505,148	583,002
Trade and bills receivables	12	511,294	526,093
Prepayment, deposits and other receivables		595,323	581,128
Bank and cash balances		81,168	173,595
		<b>1,698,016</b>	<b>1,872,555</b>
<b>Less: Current liabilities</b>			
Trade and bills payables	13	288,289	250,061
Accruals and other payables		393,565	290,206
Contract liabilities		202,718	337,126
Lease liabilities		482	514
Income tax payable		4,925	11,724
Borrowings	15	2,134,968	2,065,408
		<b>3,024,947</b>	<b>2,955,039</b>
<b>Net current liabilities</b>		<b>(1,326,931)</b>	<b>(1,082,484)</b>
<b>Total assets less current liabilities</b>		<b>3,786,067</b>	<b>3,979,436</b>

		As at 30 June 2021 (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
<b>Less: Non-current liabilities</b>			
Deferred revenue		73,585	72,834
Other payables		48,041	47,907
Lease liabilities		5,878	6,034
Borrowings	15	—	75,381
Deferred tax liabilities		<u>191,921</u>	<u>190,282</u>
		<u>319,425</u>	<u>392,438</u>
<b>Net assets</b>		<u><u>3,466,642</u></u>	<u><u>3,586,998</u></u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		101,419	101,419
Reserves		<u>3,164,995</u>	<u>3,259,868</u>
		3,266,414	3,361,287
<b>Non-controlling interests</b>		<u>200,228</u>	<u>225,711</u>
<b>Total equity</b>		<u><u>3,466,642</u></u>	<u><u>3,586,998</u></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 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. On 17 February 2004, the Company’s shares were listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and were withdrawn from the GEM Board on 31 July 2008. Since 1 August 2008, the Company’s shares have been listed on the Main Board of the Stock Exchange.

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HKS**”) 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 2021 were approved for issue by the Board on 31 August 2021.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 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 2020, 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.

Other than the changes in accounting policies resulting from application of amendments to HKFRSs, 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 2020.

## **Winding-up petitions and appointment of provisional liquidators**

On 3 July 2020, the Company announced (i) the Company defaulted on the redemption of the SGD 101.75 million in principal amount of the listed subordinated notes (the “**SGD Notes**”) on their maturity on 3 July 2020 (the “**Payment Default**”); (ii) a winding-up petition has been filed on 2 July 2020 (Cayman Islands time) to the Supreme Court of the Cayman Islands on behalf of the Company together with an application for the appointment of joint provisional liquidators (“**JPLs**”) on a “light touch” basis that the board of directors of the Company (the “**Board**”) will retain management of the Company while the JPLs will work alongside the Company’s management to, amongst other things, monitor, supervise and oversee the implementation of a group-wide holistic and coordinated restructuring of its debts and liabilities (the “**Proposed Restructuring Plan**”) including to maintain the listing of the Company on The Stock Exchange of the Hong Kong Limited.

On 14 July 2020 (Cayman Islands time), an order was granted by the Grand Court of the Cayman Islands (the “**Grand Court**”) for the appointment of Mr. Yen Ching Wai David and Ms. So Kit Yee Anita of Ernst & Young Transactions Limited, Mr. Roy Bailey of Ernst & Young Ltd, and Ms. Tammy Karina Fu of EY Cayman Ltd. as the JPLs of the Company with the power to act jointly and severally.

On 18 August 2020, the Grand Court issued a letter of request (“**LOR**”) to the High Court of Hong Kong for the recognition of the appointment and powers of the JPLs in Hong Kong to, inter alia, develop and propose a restructuring plan to allow the Company to continue as a going concern. The Grand Court also accepted the resignation of one of the JPLs, Mr. Yen Ching Wai David on the same day. The JPLs appointment order remains in force in respect of Mr. Roy Bailey, Ms. Tammy Karina Fu and Ms. So Kit Yee Anita as JPLs. An application has been filed by the JPLs to the High Court of Hong Kong on 26 August 2020 for the recognition of the appointment and powers of the JPLs pursuant to the LOR. On 28 August 2020, the High Court of Hong Kong has approved the said application.

An application has been filed by the JPLs to the High Court of the Republic of Singapore (the “**Singapore High Court**”) on 28 October 2020 for the recognition of the appointment and powers of the JPLs pursuant to the LOR. On 30 November 2020, the Singapore High Court has approved the said application.

On 23 December 2020, the Singapore Noteholders have established the informal steering committee (the “**ISC**”). On 7 March 2021, the ISC has appointed an independent financial advisor (the “**IFA**”), who sits on the creditors’ committee, together with the ISC, to proceed the follow-up work.

On 19 April 2021 (Cayman Islands time), after the application of JPLs, the Grand Court has further ordered that the hearing of the Petition be adjourned to be heard on Wednesday, 20 October 2021 (Cayman Islands time).

During May, July and August 2021, the JPLs have held several creditors’ committee’s meeting to discuss the development of the provisional liquidation and restructuring plan. Any determination and implementation of such plan shall be subject to the agreement of the majority of creditors at the meeting and the orders granted by the Grand Court and the High Court of Hong Kong.

## Going Concern Basis

During period ended 30 June 2021, the Group recorded loss of approximately HK\$166,836,000, and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$1,326,931,000. Further, as at 30 June 2021, the Group's borrowings amounted to approximately HK\$2,134,968,000, while its cash and cash equivalents only amounted to approximately HK\$70,805,000. As stated in above, the Company had defaulted in repayment of its SGD Notes of principal amount of SGD101.75 million (equivalent to approximately HK\$584,981,000) plus interests accrued when they fell due on their maturity date on 3 July 2020 and had received demands from several creditors for repayment of the borrowings of the Group. The Group could not fulfil certain covenants of certain borrowings amounting to approximately HK\$1,920,865,000 as at 30 June 2021, which have become repayable on demand and are presented as current liabilities in the consolidated statement of financial position. Further, included in the borrowings of the Group as at 30 June 2021 were borrowings of approximately HK\$267,126,000 which the lenders have commenced litigations against the Group to repay the outstanding balances.

The conditions described above indicate the existence of a material uncertainty that cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company is actively exploring options to restructure debts of the Group and intends to implement a management led restructuring by taking advantage of the court-supervised provisional liquidation regime in the Cayman Islands, commonly known as a "light touch" provisional liquidation, which gives the Company the benefit of a statutory moratorium prohibiting the commencement or continuance of any proceedings against the Company without the leave of the Grand Court. The Company is actively considering to develop a viable proposed restructuring plan, including but not limited to some or all of the followings:

1. equity restructuring to facilitate the raising of cash for the Company from third party investors through equity issue;
2. a debt restructuring that may involve refinancing and/or a compromise or arrangement of the debts and liabilities of the Group;
3. potential investment in the Company from one or more third party investor(s) to facilitate raising of cash for the Company and potential disposal of non-core business and non-operating fixed assets of the Group.

It is proposed that the proposed restructuring plan will be implemented by way of schemes of arrangement (the "**Schemes**") with the creditors of the companies in provisional liquidation, including the Company. The Schemes are likely subject to the sanction of the Grand Court, the BVI Court (in respect of the subsidiaries in provisional liquidation which are incorporated in the BVI), the High Court of Hong Kong and the Singapore High Court.

In addition, the Company plans to implement further cost control measures on capital investments, production and administrative operations to reduce overall operating costs of the Group.



The directors of the Company are of the opinion that it is appropriate to prepare the unaudited condensed consolidated interim financial statements on going concern basis. These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, the validity of which depends upon the Group being able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing to provide funds for the Group to meet its liabilities as they fall due. This in turn is dependent upon (i) the JPLs and the Company being able to finalise the proposed restructuring plan after consultations with the creditors' committee of the general creditors of the Group, the ISC of the noteholders of the SGD Notes and the IFA engaged to represent the ISC; and (ii) the sanctions of the Schemes will be successfully obtained from the relevant courts referred to above for the implementation of the finalised Proposed Restructuring Plan.

As at the date of approval for issuance of the unaudited condensed consolidated interim financial statements, the proposed restructuring plan has not been formulated yet and the eventual outcome of the proposed restructuring plan cannot be determined with reasonable certainty. Accordingly, the material uncertainty that cast significant doubt on the Group's ability to continue as a going concern remains in existence as at the date of approval for issuance of the unaudited condensed consolidated interim financial statements. Should the Group be unable to continue as a going concern, adjustments would have to be made to the unaudited condensed consolidated interim financial statements to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the unaudited condensed consolidated interim financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's unaudited condensed consolidated interim financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

#### 4. REVENUE

	Six months ended 30 June	
	2021 (unaudited) <i>HK\$'000</i>	2020 (unaudited) <i>HK\$'000</i>
Sales of fertiliser products	628,274	721,446
Sales of magnesium products	182,632	368,178
Sales of metallurgical flux products	6,162	16,951
	<u>817,068</u>	<u>1,106,575</u>
Timing of revenue recognition:		
A point in time	<u>817,068</u>	<u>1,106,575</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:

- Fertiliser business
- Magnesium product business
- Metallurgical flux business

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

##### (a) Segment revenue and results

For six months ended 30 June 2021

	Fertiliser business (unaudited) <i>HK\$'000</i>	Magnesium product business (unaudited) <i>HK\$'000</i>	Metallurgical flux business (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Segment revenue	628,274	182,632	6,162	817,068
Inter-segment revenue	—	—	—	—
Revenue from external customers	<u>628,274</u>	<u>182,632</u>	<u>6,162</u>	<u>817,068</u>
Segment results	<u>(13,120)</u>	<u>(19,407)</u>	<u>8,287</u>	<u>(24,240)</u>
Other gains or losses, net				17,717
Change in fair value of financial guarantee liabilities				(32,045)
Central administrative costs				(19,856)
Finance costs				<u>(100,751)</u>
Loss before income tax				<u>(159,175)</u>

For six months ended 30 June 2020

	Fertiliser business (unaudited) <i>HK\$'000</i>	Magnesium product business (unaudited) <i>HK\$'000</i>	Metallurgical flux business (unaudited) <i>HK\$'000</i>	Total (unaudited) <i>HK\$'000</i>
Segment revenue	721,446	368,178	16,951	1,106,575
Inter-segment revenue	—	—	—	—
Revenue from external customers	<u>721,446</u>	<u>368,178</u>	<u>16,951</u>	<u>1,106,575</u>
Segment results	<u>63,341</u>	<u>43,573</u>	<u>7,323</u>	114,237
Other gains or losses, net				19,113
Central administrative costs				(50,190)
Finance costs				<u>(74,711)</u>
Profit before income tax				<u><u>8,449</u></u>

Segment revenue reported above represents revenue generated from external customers. Inter-segment revenue has been eliminated in current and last 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' emoluments, certain net other gains or losses, change in fair value of financial guarantee liabilities and finance costs. 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**

	As at 30 June 2021 (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
Fertiliser business	3,219,456	3,304,296
Magnesium product business	2,657,283	2,661,659
Metallurgical flux business	<u>627,595</u>	<u>626,426</u>
Unallocated	<u>6,504,334</u> <u>306,680</u>	<u>6,592,381</u> <u>342,094</u>
	<u><u>6,811,014</u></u>	<u><u>6,934,475</u></u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on listed subordinated notes	25,563	19,657
Interest on exchangeable bonds	10,768	5,679
Interest on borrowings wholly repayable within five years	64,199	49,139
Interest on lease liabilities	221	236
	<u>100,751</u>	<u>74,711</u>

## 7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
— PRC Enterprises Income Tax	8,227	26,906
Deferred taxation	(566)	(799)
	<u>7,661</u>	<u>26,107</u>

## 8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation	<u>117,441</u>	<u>101,736</u>

## 9. LOSS PER SHARE

### (a) Basic

Basic loss 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.

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	<u>(133,578)</u>	<u>(6,708)</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>4,581,117</u>	<u>4,581,117</u>
Basic loss per share (HK cents)	<u>(2.92)</u>	<u>(0.15)</u>

### (b) Diluted

Diluted loss 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 category 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 loss 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 period ended 30 June 2021 and 2020.

## 10. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend in respect of the six months ended 30 June 2021 (2020: HK\$ Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group had additions of property, plant and equipment amounting to approximately HK\$137,477,000 (2020: HK\$90,568,000).

During the six months ended 30 June 2021, the Group disposed of property, plant and equipment with a carrying amount of approximately HK\$2,306,000 for the proceeds of approximately HK\$7,172,000. No disposal of property, plant and equipment was incurred during the six months ended 30 June 2020.

During the six months ended 30 June 2021 and 2020, the Group has not entered into any new lease agreement.

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

	As at 30 June 2021 (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
Trade receivables	700,671	690,958
Allowance for credit losses	<u>(192,428)</u>	<u>(172,620)</u>
	508,243	518,338
Bills receivables	<u>3,051</u>	<u>7,755</u>
	<u><u>511,294</u></u>	<u><u>526,093</u></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 2021 (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
Within 30 days	40,541	126,010
31 to 60 days	32,548	76,043
61 to 90 days	45,359	87,497
Over 90 days	<u>389,795</u>	<u>228,788</u>
	<u><u>508,243</u></u>	<u><u>518,338</u></u>

The Group allows a credit period normally not more than 180 days (2020: not more than 180 days) to its trade customers.

### 13. TRADE AND OTHER PAYABLES

	As at 30 June 2021 (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
Trade payables	252,313	232,568
Bills payable	35,976	17,493
	<u>288,289</u>	<u>250,061</u>

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

	As at 30 June 2021 (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
Within 30 days	47,932	170,580
31 to 60 days	25,780	11,923
61 to 90 days	122,233	3,510
Over 90 days	56,368	46,555
	<u>252,313</u>	<u>232,568</u>

### 14. CONTINGENT LIABILITIES

As at 30 June 2021, Shandong Hongri had executed financial guarantees to certain banks for credit facilities granted to an independent third party (31 December 2020: an independent third party), for approximately RMB181,000,000 (31 December 2020: RMB181,000,000) which would be required to be paid if the guarantees were called upon in entirety.

As at 30 June 2021, the fair value of these corporate guarantees was approximately HK\$36,302,000 (31 December 2020: HK\$4,287,000).

During the six months period ended 30 June 2021, loss on change in fair value of financial guarantee liabilities of approximately HK\$32,045,000 (2020: HK\$Nil) has been recognised in the unaudited condensed consolidated statement of profit or loss.

For more detail of the corporate guarantees please refer to announcement dated 27 September 2016.

## 15. BORROWINGS

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Bank borrowings	927,318	924,553
Other borrowings	622,669	622,454
Listed subordinated ( <i>note (i)</i> )	584,981	593,782
	<u>2,134,968</u>	<u>2,140,789</u>
Carrying amounts of borrowings that do not contain repayable on demand clause and repayable:		
Within one year	1,890,785	1,822,408
Within a period of more than one year but not exceeding two years	—	75,381
Within a period of more than two years but not exceeding five years	—	—
Sub-total	<u>1,890,785</u>	<u>1,897,789</u>
Carrying amounts of borrowings that contain a repayment on demand clause and repayable:		
Within one year	244,183	243,000
Within a period of more than one year but not exceeding two years	—	—
Within a period of more than two years but not exceeding five years	—	—
Sub-total	<u>244,183</u>	<u>243,000</u>
	<u>2,134,968</u>	2,140,789
Less: Amounts shown under non-current liabilities	—	(75,381)
Amounts shown under current liabilities	2,134,968	2,065,408
The carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	<u>(1,920,865)</u>	<u>(1,900,268)</u>
Amounts shown under current liabilities for the borrowings without breach of loan covenants	<u>214,103</u>	<u>165,140</u>
Borrowings:		
Secured	953,198	872,215
Unsecured	1,181,770	1,268,574
	<u>2,134,968</u>	<u>2,140,789</u>

*note:*

- (i) This represents the carrying amount of the 7.0% subordinated notes with the face value of SGD101.75 million (under the Multicurrency Medium Term Note Programme) issued by the Company on 5 June 2017. The notes are listed on the Singapore Stock Exchange and was matured and defaulted on 3 July 2020.



## 16. LITIGATIONS

Reference is made to the disclosure in Note 2, in view of payment default, cross default and debt restructuring, included in the borrowings of approximately HK\$267,126,000 which lenders have commenced litigations against certain subsidiaries for immediate repayments.

As such litigations were in relation to failure to perform the obligation of the related liabilities already recognized in the unaudited condensed consolidated interim financial statements, the Group is proactively communicating with the lenders, striving to solve the litigations through settlement by agreement.

Also, the Company will seek legal advices on the litigations and will take necessary actions based on such legal advices for the entire interests of the Group. Further announcements will be made by the Company to update the shareholders and investors of the Company in relation to any material development on the proposed debt restructuring and litigations.

## 17. EVENTS AFTER THE REPORTING PERIOD

Reference was made to the announcement of the Company dated 1 August 2021, the Company received a written ruling (the “Ruling”) from Linyi Intermediate People’s Court (“Linyi Court”) regarding a PRC bank’s application to enforce guarantees of loans amounting to RMB124.96 million granted to Shandong Hongri (an indirect non-wholly owned subsidiary of the Group) by the bank that have been provided by certain subsidiaries of the Group and Ms. Chi Bi Fen, the former legal representative of Shandong Hongri.

The Ruling stated that bank deposits of the certain subsidiaries of the Group and Ms. Chi Bi Fen in total sum of approximately RMB125 million or assets of equivalent value may be frozen for periods of up to one year (if cash), two years (if moveable assets) and three years (if immovable property or other types of assets). The Bank applied for 13 plots of land owned by Shandong Hongri to be frozen pursuant to the Ruling. On 26 July 2021, Shandong Hongri received a copy of a notice for assistance for enforcement (協助執行通知書) dated 21 July 2021 from Linyi Court to Linyi Immovable Assets Registration Centre (the “Registry”) requiring the assistance of the Registry in order to enforce the ruling by “freezing” three plots of land owned by Shandong Hongri (the “Frozen Assets”) for the period between 21 July 2021 and 20 July 2024.

As advised by PRC counsels of the Company that, in deciding whether or not to grant any such order and the scope of such order, the Linyi Court is required to have regard to the following requirements: (i) the value of the relevant asset that is to be “frozen” must not be excessive in the context of the payment obligations to which the ruling relates, unless the asset is indivisible and there are no alternative assets of sufficient value to satisfy such payment obligations; and (ii) if multiple assets are available for “freezing”, the order should apply to those assets which if frozen would least impact the production activities of the party concerned. Having considered, (i) to the best knowledge of the Company, the aggregate value of the Frozen Assets (after taking account the value of the Land after its change of use and other liabilities that were secured by the Frozen Assets) is not less than RMB125 million; and (ii) the Linyi Court has ordered the freezing of 3 plots of land, instead of 13 plots of land that were the subject of the bank’s application, the Company believes that there is low risk of further freezing orders at this stage. In view of the foregoing and the fact that the Frozen Assets belong to Shandong Hongri which has no operations and absent unforeseen circumstances, the Company did not expect the ruling to have a material adverse impact on the business operations of the Group that are subject to the Ruling.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2021 (the “**Period**”), the Group recorded an overall revenue of approximately HK\$817,068,000 (2020: HK\$1,106,575,000), representing a year-on-year decrease of approximately 26.2%, with an overall gross profit margin of 8.0% (2020: 17.2%). The loss after tax was approximately HK\$166,836,000 (2020: HK\$17,658,000). Among them, the revenue from the fertiliser business during the Period was approximately HK\$628,274,000 (2020: HK\$721,446,000), representing a year-on-year decrease of approximately 12.9%. Since July 2020, the production and operation at the production bases of the Group have been generally normal. However, due to the offshore debt restructuring, and the recent increased and fluctuated cost of raw materials, the Group was unable to achieve relatively good management efficiency.

Shandong Hongri Chemical Joint Stock Company Limited (“**Shandong Hongri**”), a subsidiary of the Group, has cooperated with Luozhuang District Government of Linyi City (“**Local Government**”) to respond to the requirements of “Relocation of Industries from City Urban Area to Industrial Parks” (“**the Plan**”). Shandong Hongri has entered into the relevant agreement with the Local Government. The demolition of plants was completed in 2020. Currently, Shandong Hongri is actively seeking the Local Government’s implementation of the agreement. Under the resettlement agreement between Shandong Hongri and its staffs, Shandong Hongri shall pay the resettlement compensation in July 2021. Until now, the Local Government has paid part of the Plan’s compensation for land purchasing and storage in advance to cover the staffs’ resettlement compensation.

Rare Earth Magnesium Technology Group Holdings Limited (“**REMT**”), a subsidiary of the Group, was impacted by the influence of its offshore debt restructuring and the overseas pandemic resurgence. It negatively affects the magnesium industry chain as a whole. Thus the market demand for magnesium products has not yet fully recovered. The revenue of REMT in the Period was approximately HK\$182,632,000 (2020: HK\$368,178,000), representing a year-on-year decrease of 50.4%. The average gross profit margin was approximately 11.5%.

## Prospect

We have the confidence to forge ahead and overcome difficulties because of the rigid demand of fertilisers in agricultural production, the policy support from the Chinese Government, and the Group's differentiated superior products, the green ecological fertilisers, which we have been exploring for more than 20 years. The repeated outbreak of COVID-19 has caused food shortages in many countries. Some food-exporting countries have begun to restrict food exports. At present and in the future, the market for agricultural materials related to the grain will face great development opportunities. Fertilisers, which have a high contribution rate of over 50% to the grain production, are indispensable for the stable production and high yield of grain. The green ecological fertiliser developed and produced by the Group since its establishment helps improve soil conditions and fertiliser utilisation rate, and enhance crop yield and quality. We believe that in the post-epidemic era, people's increasing demand for healthy food will also promote the market demand for green ecological fertilisers. "Enhancing Crop Productivity and Soil Fertility" is always our eternal mission. To expand the fertiliser industry, leading the development of green fertiliser, is the unremitting pursuit of Century Sunshine.

## Key Operational Data

Unaudited key operational data for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, are as follows. Main businesses listed below contributed over 99% (2020: over 98%) of the Group's total revenue for the Period.

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

	<b>2021</b>	2020	<b>Decrease</b>
	<i>Tonnes</i>	<i>Tonnes</i>	<i>%</i>
Fertiliser business	<b>240,347</b>	328,791	(26.9)
Magnesium product business	<b>9,353</b>	18,674	(49.9)

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

	<b>2021</b>	2020	<b>Increase/ (Decrease)</b>
	<i>HK\$/Tonne</i>	<i>HK\$/Tonne</i>	<i>%</i>
Fertiliser business	<b>2,614</b>	2,194	19.1
Magnesium product business	<b>19,454</b>	19,716	(1.3)

**(c) Gross profit margin:**

	<b>2021</b>	<b>2020</b>	<b>Decrease</b>
	<b>%</b>	<b>%</b>	<b>Percentage</b>
			<b>points</b>
Fertiliser business	<b>7.4</b>	15.4	(8.0)
Magnesium product business	<b>11.5</b>	20.5	(9.0)
The Group's overall	<b>8.0</b>	17.2	(9.2)

## **FINANCIAL REVIEW**

### **Operating income and gross profit**

Contribution of revenue by our Group's dual core businesses: fertiliser business and magnesium product business accounted for 76.9% and 22.4% (2020: 65.2% and 33.3%) respectively.

During the Period, the revenue of fertiliser business was approximately HK\$628,274,000 (2020: HK\$721,446,000), being a year-on-year decrease of 12.9%. Since the Group is under offshore debt restructuring and fundings are tight, the Group's operating scale has been affected. Besides, the recent increased and fluctuated raw material cost further setback the Group from achieving relatively good management efficiency. As such, the total sales volume of our fertiliser was approximately 240,347 tonnes for the Period, being a year-on-year decrease of 26.9%, the gross profit margin decreased by 8.0 percentage points to 7.4%.

During the Period, the revenue of magnesium product business was approximately HK\$182,632,000 (2020: HK\$368,178,000), being a year-on-year decrease of 50.4%. It was mainly attributable to the influence of the Group's offshore debt restructuring and the overseas pandemic resurgence. It negatively affects the magnesium industry chain as a whole. Thus the market demand for magnesium products has not yet fully recovered. The total sales volume of our magnesium product business for the Period was approximately 9,353 tonnes, being a year-on-year decrease of 49.9%. The gross profit margin was 11.5%, being a year-on-year decrease of 9.0 percentage points.

### **Other net gains or losses**

Other net gains or losses were approximately HK\$38,260,000 (2020: HK\$24,161,000), an increase of approximately 58.4% or HK\$14,099,000 year-on-year. The increase was mainly due to decline in fair value on a cash settlement right expired and lapsed during the Period. Its derivative financial liabilities of approximately HK\$11,923,000 was therefore recognised as other gains during the Period.

## **Selling and marketing expenses**

Selling and marketing expenses of approximately HK\$21,393,000 (2020: HK\$27,662,000), accounted for approximately 2.6% (2020: 2.5%) of revenue, which mainly consisted of market operating expenses and sales staff salaries, and sales and distribution expenses.

## **Administrative expenses**

Administrative expenses mainly included staff compensation, depreciation and amortisation and professional expenses. Administrative expenses for the Period were approximately HK\$99,574,000 (2020: HK\$123,142,000), being a decrease of approximately 19.1% or HK\$23,568,000. The Group is undergoing offshore debt restructuring and is therefore striving to reduce expenses.

## **Finance costs**

Finance costs were approximately HK\$100,751,000, representing an increase of approximately 34.9% year-on-year. The increase was due to default interests recognised subsequent to the cross default of certain debts of the Group since July 2020.

## **Income tax expense**

The income tax expense for the Period was approximately HK\$7,661,000 (2020: HK\$26,107,000), representing a decrease of approximately 70.7% year-on-year, which mainly due to the decrease in revenue.

## **Allowance for expected credit losses on trade receivables**

Affected by the COVID-19 epidemic in 2020, the Group's receivables collection was significantly delayed and such situation has yet been improved. As at the end of the Period, the Group reassessed the expected credit loss of trade receivables and an allowance of approximately HK\$18,103,000 were made for the Period. As stated in the 2020 annual report, this does not mean that such losses have actually occurred, nor does it mean that such losses will occur in future years. Rather, expected credit losses reflect the information available at the reporting date.

## **Margin**

During the Period, the Group's after-tax loss was approximately HK\$166,836,000 (2020: HK\$17,658,000), being an increase of 845% year-on-year. If excluding the allowance for expected credit losses on trade receivables, change in fair value of financial guarantee liabilities and net exchange difference totally loss of approximately HK\$41,312,000 (2020: gain of approximately HK\$20,024,000), the after-tax loss from operations was approximately HK\$125,524,000 (2020: HK\$37,682,000), being an increase of approximately

233%. It was mainly due to the offshore debt restructuring, rise in raw material price and hit on the demand and supply sides of the industrial chain as driven by the combined effect of the epidemic, resulting in a significant impact on the business performance of the Group.

### **Possible Debt Restructuring and the Appointment of Joint Provisional Liquidators for Restructuring Purposes**

At the beginning of 2020, the spread of the epidemic and the rising tensions between the United States of America and mainland China have adversely affected the Company's ability to refinance the Notes and other borrowings, leading to the default in the Company's redemption of its subordinated notes in aggregate principal amount of SGD101,750,000 that matured on 3 July 2020.

In order to facilitate a restructuring of its debts with the benefit of a statutory moratorium prohibiting the commencement or continuance of any proceedings against the Company without the leave of court, the Company has applied on 2 July 2020 (Cayman Islands time) to the Grand Court of the Cayman Islands (the "**Grand Court**") for the appointment of Mr. Yen Ching Wai David and Ms. So Kit Yee Anita of Ernst & Young Transactions Limited, Mr. Roy Bailey of Ernst & Young Ltd, and Ms. Tammy Karina Fu of EY Cayman Ltd. (collectively, the "**JPLs**") as the "light-touch" joint provisional liquidators of the Company for restructuring purposes, with the power to act jointly and severally. REMT, the subsidiary of the Company, has also made a similar application to the Supreme Court of Bermuda for the same purpose.

A "light touch" basis is that the Board will retain management of the Company and maintain the operation of the Group, while the JPLs will work alongside the Company's management to monitor, supervise, and oversee the implementation of a group-wide holistic and coordinated restructuring of its debts and liabilities including to maintain the listing of the Company on the Stock Exchange.

The JPL Application was heard before the Grand Court on 14 July 2020 (Cayman Islands time). The Grand Court granted an order that the JPLs have been appointed with immediate effect.

On 18 August 2020, the Grand Court issued a letter of request ("**LOR**") to the High Court of Hong Kong for the recognition of the appointment and powers of the JPLs in Hong Kong to, inter alia, develop and propose a restructuring plan to allow the Company to continue as a going concern. The Grand Court also accepted the resignation of one of the JPLs, Mr. Yen Ching Wai David on the same day. The JPLs appointment order remains in force in respect of Mr. Roy Bailey, Ms. Tammy Karina Fu and Ms. So Kit Yee Anita as JPLs. An application has been filed by the JPLs to the High Court of Hong Kong on 26 August 2020 for the recognition of the appointment and powers of the JPLs pursuant to the LOR. On 28 August 2020, the High Court of Hong Kong has approved the said application.



An application has been filed by the JPLs to the High Court of the Republic of Singapore (the “**Singapore High Court**”) on 28 October 2020 for the recognition of the appointment and powers of the JLPs pursuant to the LOR. On 30 November 2020, the Singapore High Court has approved the said application.

On 23 December 2020, the Singapore Noteholders have established the informal steering committee (the “**ISC**”). On 7 March 2021, the ISC has appointed an independent financial advisor (the “**IFA**”), who sits on the creditors’ committee, together with the ISC, to proceed the follow-up work.

On 19 April 2021 (Cayman Islands time), after the application of JPLs, the Grand Court has further ordered that the hearing of the Petition be adjourned to be heard on Wednesday, 20 October 2021 (Cayman Islands time).

During May, July and August 2021, the JPLs have held several creditors’ committee’s meeting to discuss the development of the provisional liquidation and restructuring plan. Any determination and implementation of such plan shall be subject to the agreement of the majority of creditors at the meeting and the orders granted by the Grand Court and the High Court of Hong Kong.

The Company is also taking various measures to improve and strengthen the operation and management of the Group. These measures include (i) restructuring internal capital and debt, and seeking potential investors to participate in fundraising plans; and/or (ii) taking further cost control measures on capital investment and operation to reduce the overall operating costs of the Group. The Company is committed to continuing seeking positive feedbacks from creditors to support the plan.

The Company will make further announcements in respect of any substantial development of the restructuring plan.

### **Liquidity, liabilities and financial resources**

As at 30 June 2021, total amount of bank and cash balances of the Group was approximately HK\$81,168,000 (as at 31 December 2020: approximately HK\$173,654,000).

As at 30 June 2021, the Group’s total borrowings decreased by approximately 0.3% as compared to that as at 31 December 2020. The Group’s gearing ratio (calculated by total borrowings over total assets) was approximately 31.3% as at 30 June 2021 (as at 31 December 2020: approximately 30.9%).

The Group’s ongoing business operations and capital expenditure will be funded by internal cash flows generated from operations, available credit facilities and equity/debt financings.

## **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 does not presently hedge the foreign exchange risks. The Group will periodically review 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.

## **Pledge of Assets**

As at 30 June 2021, the Group had pledged its property, plant and equipment, right-of-use assets and bank deposits with carrying amount of approximately HK\$1,009,198,000, HK\$187,016,000 and HK\$10,363,000 respectively (as at 31 December 2020: approximately HK\$458,604,000, HK\$228,771,000 and HK\$16,178,000 respectively) to secure borrowings and bills payables.

## **Contingent liabilities**

As at 30 June 2021, other than those disclosed in Note 14 to the unaudited condensed consolidated interim financial statements, the Group did not have any significant contingent liabilities.

## **Capital Structure**

As at 30 June 2021 and 31 December 2020, the issued share capital of the Company were HK\$91,622,337, divided into 4,581,116,843 shares of HK\$0.02 each.

## **Human resources**

The number of employees of the Group was approximately 1,520 as at 30 June 2021 (as at 31 December 2020: approximately 1,670). The remuneration of employees was determined by the Group with reference to their performance, work experience and current market conditions. Employee benefits include medical insurance, defined contribution retirement plans, discretionary bonus and employee share option scheme. There has been no labour dispute or significant change in the number of employees that affect the normal operations of the Group. The Directors believe that the Group maintains admirable relations with its employees.



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

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, the Company has complied with the code provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, with the following deviations:

- (a) 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 30 June 2021 as he was obliged to be away for a business trip on that date. Mr. Shum Sai Chit, executive Director of the Company, attended the said annual general meeting to answer questions from shareholders.
- (b) Mr. Lau Chi Kit ("**Mr. Lau**") had retired as an independent non-executive director, a member of audit committee and a member of remuneration committee of the Company on 30 June 2021. Following the retirement of Mr. Lau, the Company has two independent non-executive directors and audit committee members, which therefore fell below the minimum requirements of three under Rules 3.10(1) and 3.21 of the Listing Rules respectively.

Pursuant to Rule 3.11 and 3.23 of the Listing Rules, the Company should appoint additional independent non-executive Directors and appropriate members to the Audit Committee within three months after failing to meet the requirements. The Company still endeavoring to identify suitable candidates to fill the vacancy as soon as practicable.

## **DISCLAIMER OPINION RELATING TO GOING CONCERN**

In the consolidated financial statements of the Company and its subsidiaries (together as the "**Group**") for the year ended 31 December 2020 (the "**2020 AR**"), the Company's auditors issued disclaimer of opinion on the material uncertainties relating to the going concern basis ("**Disclaimer of Opinion**"), in which they were unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of management to use the going concern basis of accounting in the preparation of the consolidated financial statements because management's plans for future actions (the "**Action Plan**") in relation to its going concern assessment could not be finalised yet and therefore issued a disclaimer of opinion on the results of the Group's consolidated financial statements.

The Management is taking the best efforts to agree on and execute the Action Plan in 2021. Taking into account the successful and continued implementation of the proposed restructuring, the Management and also the Directors are satisfied that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future, and hence it is appropriate to prepare the Group's consolidated financial statements on a going concern basis. The Management assessed that there is no material impact on the Group's financial position in light of the Disclaimer of Opinion, as the going concern issue could be resolved by the Action Plan devised.

There was no disagreement between the Board and the Auditors regarding the Disclaimer of Opinion, considering that the consolidated financial statements have been prepared by the Management on a going concern basis, the validity of which depends on the outcome of the measures under management's assumptions, which are subject to multiple uncertainties. In all other respects, in the opinion of the Auditors, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

The Audit Committee takes the same view as the Board and agreed with the Management's position concerning the going concern issue and Disclaimer of Opinion based on the reasons above.

#### **MANAGEMENT'S POSITION AND BASIS ON THE GOING CONCERN ASSUMPTION**

As detailed in Note 1 to the unaudited condensed consolidated interim financial statements, conditions existed as at 30 June 2021 indicating the existence of material uncertainties which may cast significant doubt regarding the Group's ability to continue as a going concern. Among all viable options as discussed, the management of the Company is actively negotiating with the JPLs and the creditors on debt restructuring by way of scheme of arrangement, tentatively involving, among others, extension of repayment period and repayment by ways of net proceeds from disposals of non-core assets of the Group.

As at the date of approval for issuance of the unaudited condensed consolidated interim financial statements, the Proposed Restructuring Plan has not been formulated yet and the eventual outcome of the Proposed Restructuring Plan cannot be determined with reasonable certainty. Assuming the successful implementation of the proposed restructuring plan, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future. Accordingly, the unaudited condensed consolidation interim financial statements have been prepared on a going concern basis.

The Company will update the shareholders by way of announcement(s) when there is any material development.

## **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.

## **AUDIT COMMITTEE**

The Audit Committee was established in January 2004. As at 30 June 2021, the Audit Committee has two members, namely Mr. Cheung Sound Poon and Mr. Sheng Hong. Mr. Cheung Sound Poon 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 2021, 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 2021 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 three members, namely Mr. Cheung Sound Poon, Mr. Chi Jing Chao and Mr. Sheng Hong, 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.

By Order of the Board  
**Century Sunshine Group Holdings Limited**  
*(in provisional liquidation)*  
*(for restructuring purposes only)*  
**Chi Wen Fu**  
*Chairman*

Hong Kong, 31 August 2021

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

*Executive directors:* *Mr. Chi Wen Fu and Mr. Chi Jing Chao*

*Non-executive director:* *Mr. Guo Mengyong*

*Independent non-executive directors:* *Mr. Cheung Sound Poon and Mr. Sheng Hong*