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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)**

## **PROFIT WARNING**

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

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2022 (“**HY2022**”) and information currently available to the Company, the Group is expected to record a net loss ranging between approximately HK\$430 million to approximately HK\$460 million for HY2022 as compared to a net loss of approximately HK\$166.8 million for the six months ended 30 June 2021 (“**HY2021**”).

Other than the ongoing COVID-19 pandemic and the liquidity constraint facing by the Group following the offshore debt restructuring since mid-2020, the Russian Federation being a major supplier and exporter of chemical fertilisers and related materials to global markets, the global fertiliser market has been under severe stress since the beginning of the Russia-Ukraine war in February 2022, which has restricted the exports of agricultural and fertiliser commodities from the region. It created uncertainties about the

fertilisers' supplies, driving up commodity prices of fertilisers and its raw material, increasing market volatility. The sharp surge of commodity prices of fertilisers and its raw materials continued to feed into heightened pressures from inversion of production costs of compound fertilisers and product prices. In order to preserve liquidity and minimise the price risk associated with the market volatilities in the fertiliser production, the Group adjusted and reduced the output level of the Group's fertilisers production. So, the income from the Group's fertilisers business reduced by approximately 86% from HK\$628.3 million in HY2021.

For HY2022, the Group's overall turnover are expected to be decreased by approximately 60% as compared to that of HY2021, largely driven by the decrease in the income from the Group's fertilisers business that partially offset by the higher revenues of the Group's magnesium business. In addition to the reduction in turnover for HY2022, the expected increase in net loss for HY2022 was attributable to (i) the increase in net allowance on expected credit loss ("**ECL**") on trade receivables of approximately HK\$153.2 million; (ii) the recognition of a provision for redundancy compensation ("**Redundancy Compensation**") of approximately HK\$85.5 million in relation to the implementation of the relocation plan of Shandong Hongri Chemical Joint Stock Company Limited; and (iii) the increase in depreciation in property, plant and equipment ("**PPE Depreciation**") of approximately HK\$28.4 million for HY2022 mainly from the transfer of construction-in-progress to property, plant and equipment during the year of 2021.

The Board wishes to emphasize that (i) the allowance of ECL is made on a forward-looking model of the expected future credit losses based on various assumptions adopted by the Group, which does not represent losses that have already been incurred. The increase in allowance of ECL for HY2022 is mainly due to the delay in the Group's receivables collection during HY2022; (ii) the provision for Redundancy Compensation is non-recurring and the Company does not expect further substantial provision will be made for the Redundancy Compensation for the year ending 31 December 2022; and (iii) both the allowance for ECL and the PPE Depreciation are non-cash in nature.

If the above non-cash and/or non-recurring (as the case may be) allowance for ECL and Redundancy Compensation and the depreciation and amortisation of approximately HK\$145.8 million were to be excluded, the Company would have recorded a net loss ranging from approximately HK\$35 million to approximately HK\$38 million for HY2022.

The Group will continue to monitor the market movements and will timely adjust its business strategies in response to various market conditions so as to minimise the associated price risk and for resumption of performance.

The Company is still in the process of finalising the Group's interim results for HY2022. The information contained in this announcement is only a preliminary estimation performed by the management of the Company based on the currently available information which is still subject to possible adjustment following further internal review by the Board. Shareholders and potential investors of the Company are advised to read carefully the details of the unaudited financial information for HY2022 which will be disclosed in the Group's unaudited interim results announcement expected to be published on 31 August 2022.

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

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

Hong Kong, 26 August 2022

*As at the date of this announcement, the Directors 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, Mr. Sheng Hong and Mr. Shen Yi Min*