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**世纪阳光**

**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)**

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION FOR CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
AND  
(2) APPLICATION FOR WHITEWASH WAIVER**

**Financial Adviser to the Company**



**BAOQIAO PARTNERS CAPITAL LIMITED**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**Pelican Financial Limited**

## **THE SUBSCRIPTION AGREEMENT**

On 18 April 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$300 million, which may be converted into 1,600,000,000 Conversion Shares based on the initial Conversion Price of HK\$0.1875 per Conversion Share upon full conversion.

As at the date of this announcement, the Company had 4,581,116,843 Shares in issue. The Conversion Shares represent approximately 34.93% of the existing total number of Shares in issue, and approximately 25.89% of the total number of Shares in issue as increased by the allotment and issue of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change to the issued share capital of the Company).

The Conversion Shares shall rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of such Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

The Convertible Bonds are not and will not be listed on any stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares falling to be issued upon conversion of the Convertible Bonds.

Upon Completion, the gross proceeds and the net proceeds from the Subscription will be HK\$300 million and approximately HK\$292 million, respectively. It is expected that the net proceeds from the Subscription of (i) approximately HK\$230 million (representing approximately 78.77% of the net proceeds) will be utilised for partial refinancing of the Group's offshore borrowings (including accrued interest) from independent third parties to a lower interest rate (i.e. from approximately 9.1% per annum to 8% per annum) and put the Company in a better position when negotiating terms of financing with potential investors and financial institutions; and (ii) approximately HK\$32 million (representing approximately 10.96% of the net proceeds) will be applied for the settlement of the Capital Expenditures; and (iii) approximately HK\$30 million (representing approximately 10.27% of the net proceeds) will be utilised for the general working capital of the Group's operations in Hong Kong.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Subscriber is wholly-owned by Mr. Chi, a controlling Shareholder and an executive Director, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, the Subscriber (a company wholly-owned by Mr. Chi) and parties acting in concert with it are interested in 1,660,860,200 Shares, representing approximately 36.25% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds at the initial Conversion Price, 1,600,000,000 Conversion Shares will be allotted and issued to the Subscriber and the interest of the Subscriber and parties acting in concert with it in the voting rights of the Company will increase to approximately 52.76% of the issued share capital of the Company as enlarged by the allotment and issuance of the Conversion Shares (assuming there is no other change to the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Conversion Shares to the Subscriber will give rise to an obligation on the part of the Subscriber/Mr. Chi to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. Mr. Chi will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Conversion Shares to the Subscriber pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% and more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Subscription (including the grant of the Specific Mandate) respectively at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Subscription will not proceed.

As detailed in the section headed “Principal Terms of the Convertible Bonds” in this announcement, the conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion, among others, does not trigger any general offer obligation in respect of the shares of REMT, where applicable, pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code in the event statutory control (as defined in Note 8 to Rule 26.1 of the Takeovers Code) of the Company being acquired by the Bondholder or person(s) acting in concert with such Bondholder upon exercising of its conversion right under the Convertible Bonds, unless such Bondholder or person(s) acting in concert with such Bondholder complies with the general offer obligation(s) under Rule 26 of the Takeovers Code. The Subscriber has confirmed to the Company that if as a result of the issue of the relevant Conversion Shares, a general offer obligation will be triggered on the part of the Subscriber or person(s) acting in concert with it for the shares of REMT pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code in the event statutory control (as defined in Note 8 to Rule 26.1 of the Takeovers Code) of the Company being acquired by the Subscriber or person(s) acting in concert with it, the Subscriber and parties acting in concert with it will comply with the general offer obligation under Rule 26 of the Takeovers Code.

As at the date of this announcement, the Company confirms that the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver do not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver do not comply with other applicable rules and regulations.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of (i) the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription (including the grant of the Specific Mandate) under the Listing Rules.

Pursuant to Rule 2.8 of the Takeovers Code, members of the independent board committee of the Company should comprise all non-executive Directors who have no direct or indirect interest in the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. As Mr. Guo Mengyong, a non-executive Director and the brother-in-law of Mr. Chi, is presumed to be a party acting in concert with the Subscriber pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Subscription, he is excluded as a member of the Independent Board Committee formed to make recommendations to the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code.

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The EGM will be held to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and (ii) the Whitewash Waiver.

The Circular containing, among others, (i) further details of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; and (iv) a notice convening the EGM, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

**Completion of the Subscription is subject to the fulfillment or waiver (as applicable) of the conditions. Accordingly, the Subscription may or may not proceed.**

**Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **THE SUBSCRIPTION AGREEMENT**

On 18 April 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$300 million.

The principal terms of the Subscription Agreement are summarised below.

**Date:** 18 April 2020

**Parties:** (i) China Century Sunshine Group Investment Company Limited (as Subscriber); and  
(ii) the Company (as issuer).

The Subscriber is wholly-owned by Mr. Chi, a controlling Shareholder, the chairman of the Board and an executive Director.

### **The Subscription**

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$300 million, which may be converted into 1,600,000,000 Conversion Shares based on the initial Conversion Price of HK\$0.1875 per Conversion Share upon full conversion.

As at the date of this announcement, the Company had 4,581,116,843 Shares in issue. The Conversion Shares represent approximately 34.93% of the existing total number of Shares in issue, and approximately 25.89% of the total number of Shares in issue as increased by the allotment and issue of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change to the issued share capital of the Company).

### **Conditions of the Subscription**

Completion is conditional upon each of the following conditions being satisfied or, if applicable, waived:

1. the passing of resolutions by the Independent Shareholders in the EGM approving and/or ratifying (as the case may be), among other things: (i) the execution, consummation and completion of the Subscription Agreement (including but not limited to the issue of the Convertible Bonds); (ii) the Specific Mandate; and (iii) the Whitewash Waiver;

2. the Listing Committee having granted approval of the issue of the Convertible Bonds and listing of and permission to deal in the Conversion Shares and such approval and granting of permission not having been withdrawn or revoked;
3. the Executive having granted the Whitewash Waiver and such waiver not having been withdrawn or revoked;
4. the warranties given by the Company in the Subscription Agreement remaining true, correct and not misleading in all material respects at Completion;
5. the Company having performed in all material respects all of the covenants and agreements required to be performed by it under the Subscription Agreement;
6. there being no Material Adverse Change subsisting at Completion;
7. the Company having obtained all consents from third parties (other than consents from any governmental or regulatory authorities) which are necessary to be obtained on the part of the Company for the execution and performance of the Subscription Agreement and any of the transactions contemplated under the Subscription Agreement;
8. no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated under the Subscription Agreement, nor shall any action have been taken by any person seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, enforced or deemed applicable to the transactions contemplated under the Subscription Agreement, which makes the consummation of which illegal at Completion; and
9. no statute, regulation or decision which would reasonably be expected to prohibit or restrict the execution, delivery or performance of the Subscription Agreement or the consummation of the transactions contemplated under the Subscription Agreement having been enacted or taken by any governmental or official authority whether in Hong Kong, the PRC, or the Cayman Islands at Completion.

The Subscriber may in its absolute discretion waive either in whole or in part in writing the conditions set out in paragraphs 4, 5, and 6 above, respectively. Save as aforementioned, none of the other conditions may be waived. As at the date of this announcement, none of the above conditions has been fulfilled.

For the condition set out in paragraph 7 above, the Board is not aware of any of such consents being required as at the date of this announcement.

In the event that any of the above conditions have not been satisfied (or, if applicable, waived) by the Long Stop Date, the Subscription Agreement will lapse and the parties thereto will be released from all obligations thereunder subject to the terms of the Subscription Agreement, save for liabilities for any antecedent breaches of the Subscription Agreement.

### **Completion of the Subscription**

Completion shall take place no later than the tenth Business Day after the satisfaction or waiver (where applicable) of the conditions or at such other date to be agreed between the Subscriber and the Company in writing but in any event no later than the Long Stop Date.

### **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

A summary of the principal terms of the Convertible Bonds is set out below.

Issuer:	The Company
Principal amount:	HK\$300,000,000
Denomination:	HK\$30,000,000 each
Maturity date:	The second anniversary of the date of issue of the Convertible Bonds (i.e. date of Completion of the Subscription Agreement) (the “ <b>Maturity Date</b> ”)
Interest rate:	8% per annum on the outstanding amount
Conversion Price:	The Conversion Price will initially be HK\$0.1875 per Conversion Share.  The initial Conversion Price of HK\$0.1875 per Conversion Share represents:  (i) A premium of approximately 18.67% over the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day; and  (ii) A premium of approximately 18.82% over the average closing price of HK\$0.1578 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares.

Adjustment events:

The Conversion Price is subject to customary adjustment upon occurrence of, among other things, any of the following events:

- (i) consolidation, subdivision or reclassification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) rights issue of Shares or options over Shares at a price which is less than 95% of the then market price of the Shares;
- (v) issue of securities convertible into or exchangeable for or carry rights of subscription for Shares at an effective consideration per Share less than 95% of the then market price of the Shares;
- (vi) any modification of the rights of conversion or exchange or subscription attaching to the securities in (v) above resulting in an effective consideration per Share being less than 95% of the then market price of the Shares; and
- (vii) issue of Shares at less than 95% of the then market price of the Shares.

Conversion Shares

The Conversion Shares shall be allotted and issued by the Company, credited as fully paid, with effect from the date on which conversion rights are validly exercised by the holder(s) of the Convertible Bonds ("**Bondholder(s)**"), and the Bondholder shall be entitled to all dividends and other distributions on the record date which falls after the conversion date.

Conversion rights:

Subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall have the right to convert all or part of the Convertible Bonds held by such Bondholder(s) into Conversion Shares credited as fully paid at any time during the Conversion Period (as defined below) disregarding fractions and rounded down to the nearest whole number of Conversion Shares, by dividing the aggregate principal amount of the Convertible Bonds to be converted, by the applicable Conversion Price in effect on the relevant date of conversion.

The conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion (i) would not result in the Conversion Shares being issued at a price below their nominal value as at the applicable date of conversion; (ii) would not result in the public float of the Shares falling below the minimum public float requirements under the Listing Rules or as required by the Stock Exchange immediately after such conversion; and (iii) does not trigger any general offer obligation in respect of the Company under Rule 26 of the Takeovers Code and/or, where applicable, REMT pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code in the event statutory control (as defined in Note 8 to Rule 26.1 of the Takeovers Code) of the Company being acquired by the Bondholder or person(s) acting in concert with such Bondholder upon exercising of the conversion right under the Convertible Bonds, unless such Bondholder or person(s) acting in concert with such Bondholder comply with the general offer obligation(s) under Rule 26 of the Takeovers Code or applicable waiver(s) from general offer obligation(s) having been obtained by such Bondholder or person(s) acting in concert with such Bondholder pursuant to Rule 26 of the Takeovers Code.

Conversion period:	The period commencing from the first anniversary of the date of issue of the Convertible Bonds and ending on the Maturity Date (the “ <b>Conversion Period</b> ”).
Early redemption at the option of the Company:	At any time during the period commencing on the first anniversary of the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Company may redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued.
Early redemption at the option of the Bondholder:	At any time during the period commencing on the first anniversary of the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Bondholder shall have the right to request the Company, subject to the consent of the Company, to redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued.
Redemption on maturity:	Unless previously redeemed or converted, the Company shall redeem the Convertible Bonds on the Maturity Date at the redemption amount which shall equal to 100% of the principal amount thereof outstanding, together with interest accrued thereon (and not yet paid) up to (but excluding) the Maturity Date.
Status:	The Convertible Bonds constitute direct, unconditional, unsecured, unsubordinated obligations of the Company, and rank pari passu among themselves and at least pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Transferability:	The Convertible Bonds may be transferred at any time, subject to compliance with all applicable regulatory requirements (if any).
Ranking of the Conversion Shares:	The Conversion Shares shall rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of such Conversion Shares.
Voting rights:	Bondholders will not be entitled to attend or vote at any general meetings of the Company by reason of being Bondholders.
Listing:	The Convertible Bonds are not and will not be listed on any stock exchange.  The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares falling to be issued upon conversion of the Convertible Bonds.

## **SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES**

The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

## **INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTION**

Upon Completion, the gross proceeds and the net proceeds from the Subscription will be HK\$300 million and approximately HK\$292 million, respectively.

Based on the consolidated management accounts of the Group (excluding REMT Group) for the year ended 31 December 2019 and as disclosed in the annual reports of the Company (the “**2019 Annual Report**”) and REMT for the year ended 31 December 2019, (i) the cash and bank balances of the Group (excluding REMT Group) were approximately HK\$561 million, majority of which were denominated in RMB and deposited in the PRC to meet its working capital requirement in the PRC; (ii) the aggregate amount of total borrowings, including bank borrowings, term notes, exchangeable bonds and other third-party borrowings of the Group (excluding REMT Group) were approximately HK\$1,693 million, of which approximately HK\$794 million were offshore borrowings subject to repayment or refinancing during the period between June 2020 and December 2020 and the weighted average interest rates of these offshore borrowings are approximately 7.6% per annum; and (iii) the Group (excluding REMT Group) had outstanding capital commitments of approximately HK\$120 million for the ongoing construction projects of the production facilities of the Group’s fertiliser business in the PRC due before December 2020 (the “**Capital Expenditures**”).

It is expected that the net proceeds from the Subscription of (i) approximately HK\$230 million (representing approximately 78.77% of the net proceeds) will be utilised for partial refinancing of the Group's offshore borrowings (including accrued interest) from independent third parties to a lower interest rate (i.e. from approximately 9.1% per annum to 8% per annum) and put the Company in a better position when negotiating terms of financing with potential investors and financial institutions; and (ii) approximately HK\$32 million (representing approximately 10.96% of the net proceeds) will be applied for the settlement of the Capital Expenditures; and (iii) approximately HK\$30 million (representing approximately 10.27% of the net proceeds) will be utilised for the general working capital of the Group's operations in Hong Kong.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Group (excluding REMT Group) is principally engaged in fertiliser business and metallurgical flux business. The Company has been developing, producing and selling ecological fertilisers for over a decade, and is a reputable player with strong brand influence in China's compound and organic fertiliser market. As disclosed in the annual reports of the Company for the four years ended 31 December 2019, the Group's revenue from fertiliser business reported a compound annual growth rate of approximately 15.8% in the past five years. In addition, the Company owns quality serpentine reserves which is not only a key raw material to produce fertilisers, but is also an indispensable source of auxiliary material for iron and steel smelting. The Company sells a manageable amount of serpentine to major domestic steel enterprises for continuous and stable income (i.e. metallurgical flux business).

China has put in place a policy environment which is conducive for the development of green agriculture to encourage transformation of its agri-food systems towards a more sustainable development path. As disclosed in the 2019 Annual Report, in October 2019, National Development and Reform Commission 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 industrialisation technology" were included in the class of agriculture product to be promoted. In addition, the Ministry of Agriculture of the PRC increased the number of demonstration counties that are qualified for government subsidies of RMB10 million per county from 100 to 175 in 2019 to encourage farmers to use organic fertiliser. It is also expected that the proportion of green ecological fertiliser application to 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 Company is of the view that its continuing investments in the green ecological fertiliser business will continue to grow, thereby bringing a positive and satisfactory economic return to the Company and its Shareholders as a whole.

As mentioned in the section headed “Intended Use of Proceeds from the Subscription” in this announcement, the Subscription will provide working capital for the Company to partially refinance its offshore borrowings to a lower interest rate and strengthen the quality of the Company’s financial resources and liquidity position so that the Company will be in a better financial position to capture more business opportunities associated with its principal business ahead. In addition, the Subscription reflects the confidence of and commitment to support the Group’s business by Mr. Chi, being the controlling Shareholder and chairman of the Board. This will further give the market confidence as to the Company’s prospect.

The Board has also considered other ways of fund raisings such as bank borrowings, placing of new shares, rights issue or open offer. In regard to bank borrowings, while they continue to play a key role to support the ongoing operating working capital for the Group, the Board considers that it might be uncertain and time consuming to solely rely on bank borrowings given the current financial market conditions in Hong Kong and the PRC.

As regards other types of equity financings, if the Company is to raise funds by way of placing, placing agent commission and additional costs will need to be incurred. A rights issue or open offer would cause the Company to incur more transaction costs including but not limited to additional costs for the preparation of the listing documents and such corporate exercises would have a relatively more time consuming process which may result in the Company being subject to the adverse effects of the current volatile market, thereby increasing uncertainty in being able to raise funds in time and affect the overall business plan of the Group.

The Board (excluding members of the Independent Board Committee whose opinion will be provided after taking into account the advice from the Independent Financial Adviser) considers the Subscription Agreement to be on normal commercial terms and the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE COMPANY**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in fertiliser business, magnesium product business, and metallurgical flux business.

## **INFORMATION ON THE SUBSCRIBER**

The Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Chi, its sole director.

## EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

The Company had not carried out any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below depicts the shareholding structure of the Company as at the date of this announcement and immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change to the issued share capital of the Company):

	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price	
	No. of Shares	%	No. of Shares	%
Mr. Chi and the Subscriber ( <i>Note 1</i> )	1,591,841,912	34.75%	3,191,841,912	51.64%
Mr. Chi's family ( <i>Note 2</i> )	50,092,985	1.09%	50,092,985	0.81%
<b>Directors</b>				
Mr. Shum Sai Chit ( <i>Note 3</i> )	14,666,305	0.32%	14,666,305	0.24%
Mr. Chi Jing Chao ( <i>Note 4</i> )	1,633,998	0.04%	1,633,998	0.03%
Mr. Guo Mengyong ( <i>Note 5</i> )	2,625,000	0.06%	2,625,000	0.04%
	18,925,303	0.41%	18,925,303	0.31%
Subtotal of the Subscriber and parties acting in concert with it	1,660,860,200	36.25%	3,260,860,200	52.76%
<b>Other Directors:</b>				
Mr. Sheng Hong	1,775,000	0.04%	1,775,000	0.03%
Mr. Lau Chi Kit	2,000,000	0.04%	2,000,000	0.03%
	3,775,000	0.08%	3,775,000	0.06%
<b>Public Shareholders</b>	2,916,481,643	63.66%	2,916,481,643	47.18%
	<u>4,581,116,843</u>	<u>100.00%</u>	<u>6,181,116,843</u>	<u>100.00%</u>

*Notes:*

- The Subscriber is wholly-owned by Mr. Chi and it did not own or have control or direction over any Shares as at the date of this announcement. Mr. Chi personally owned 249,970,548 Shares (representing approximately 5.46% of the total number of issued Shares as at the date of this announcement) and he was deemed to be interested in the 1,341,871,364 Shares (representing approximately 29.29 % of the total number of issued Shares as at the date of this announcement) held by Alpha Sino by virtue of Mr. Chi's holding of approximately 83.74% of the issued share

capital of Alpha Sino. Alpha Sino is owned as to approximately 83.74% by Mr. Chi, as to approximately 6.26% by Mr. Shum Sai Chit and as to 10% by Bande Investment Company Limited, a company wholly-owned by Mr. Chi's siblings.

2. The shareholdings of Mr. Chi's family include the shareholding interests in the Company held by Mr. Chi's siblings and daughter of 13,356,143 Shares (representing approximately 0.29% of the total number of issued Shares as at the date of this announcement) and 36,736,842 Shares (representing approximately 0.80% of the total number of issued Shares as at the date of this announcement) respectively.
3. Mr. Shum Sai Chit is a director of Alpha Sino and he is a party acting in concert with the Subscriber.
4. Mr. Chi Jing Chao is the nephew of Mr. Chi and is an executive Director. By virtue of being an executive Director, Mr. Chi Jing Chao is presumed to be a party acting in concert with the Subscriber pursuant to class (6) presumption under the definition of "acting in concert" under the Takeovers Code until completion of the Subscription.
5. Mr. Guo Mengyong is the brother-in-law of Mr. Chi and is a non-executive Director. By virtue of being a non-executive Director, Mr. Guo Mengyong is presumed to be a party acting in concert with the Subscriber pursuant to class (6) presumption under the definition of "acting in concert" under the Takeovers Code until completion of the Subscription.
6. As at the date of this announcement, there are 314,856,204 outstanding Options, of which 74,389,145 Options were granted to the Directors as below:

<b>Directors</b>	<b>Number of Options</b>	
	<b>Exercise price at HK\$0.3 per Share</b>	<b>Exercise price at HK\$0.78258 per Share</b>
Mr. Chi	20,000,000	—
Mr. Shum Sai Chit	20,000,000	—
Mr. Chi Jing Chao	8,000,000	—
Mr. Guo Mengyong	5,000,000	—
Mr. Cheung Sound Poon	5,000,000	—
Mr. Sheng Hong	5,000,000	—
Mr. Lau Chi Kit	<u>5,000,000</u>	<u>6,389,145</u>
Total	<u>68,000,000</u>	<u>6,389,145</u>

Save as the aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

7. Save as disclosed above, none of the Directors have any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Subscriber is wholly-owned by Mr. Chi, a controlling Shareholder and an executive Director, and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

As at the date of this announcement, the Subscriber (a company wholly-owned by Mr. Chi) and parties acting in concert with it are interested in 1,660,860,200 Shares, representing approximately 36.25% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds at the initial Conversion Price, 1,600,000,000 Conversion Shares will be allotted and issued to the Subscriber and the interest of the Subscriber and parties acting in concert with it in the voting rights of the Company will increase to approximately 52.76% of the issued share capital of the Company as enlarged by the allotment and issuance of the Conversion Shares (assuming there is no other change to the issued share capital of the Company).

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Conversion Shares to the Subscriber will give rise to an obligation on the part of the Subscriber/Mr. Chi to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. Mr. Chi will make an application to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Conversion Shares to the Subscriber pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% and more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Subscription (including the grant of the Specific Mandate) respectively at the EGM. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Subscription will not proceed.

As detailed in the section headed “Principal Terms of the Convertible Bonds” in this announcement, the conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion, among others, does not trigger any general offer obligation in respect of the shares of REMT, where applicable, pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code in the event statutory control (as defined in Note 8 to Rule 26.1 of the Takeovers Code) of the Company being acquired by the Bondholder or person(s) acting in concert with such Bondholder upon exercising of its conversion right under the Convertible Bonds, unless such Bondholder or person(s) acting in concert with such Bondholder complies with the general offer obligation(s) under Rule 26 of the Takeovers Code. The Subscriber has confirmed to the Company that if as a result of the issue of the relevant Conversion Shares, a general offer obligation will be triggered on the part of the Subscriber or person(s) acting in concert with it for the shares of REMT pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code in the event statutory control (as defined in Note 8 to Rule 26.1 of the Takeovers Code) of the Company being acquired by the Subscriber or person(s) acting in concert with it, the Subscriber and parties acting in concert with it will comply with the general offer obligation under Rule 26 of the Takeovers Code.

As at the date of this announcement, the Company confirms that the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver do not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver do not comply with other applicable rules and regulations.

Each of the Subscriber and the parties acting in concert with it has confirmed that, as at the date of this announcement:

- (i) save as disclosed in the section headed “Effect on the Shareholding Structure of the Company” above in this announcement, the Subscriber and parties acting in concert with it do not hold, own, have control or direction over any other voting rights, rights over Shares, any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of the securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (ii) save for the issuance contemplated under the Subscription Agreement, none of the Subscriber or any parties acting in concert with it has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within six months prior to the date of the Subscription Agreement and up to the date of this announcement but subsequent to negotiations, discussions or the reaching of understandings or agreement with the Directors in relation to the Subscription Agreement, the grant of the Specific Mandate and the Whitewash Waiver;
- (iii) none of the Subscriber or parties acting in concert with it has received any irrevocable commitment to vote for or against the resolution(s) to be proposed at the EGM to approve the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (iv) there is no arrangement including but not limited to those referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and which might be material to the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (v) save for the Subscription Agreement, there is no agreement or arrangement to which the Subscriber or any parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (vi) none of the Subscriber or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (vii) apart from the consideration payable to the Company for the subscription of the Convertible Bonds pursuant to the Subscription Agreement, there is no other consideration, compensation or benefit in whatever form that has been or will be paid by the Subscriber or parties acting in concert with it to the Company in connection with the Subscription;
- (viii) apart from the Subscription Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber or parties acting in concert with it on one hand and the Company on the other hand; and

(ix) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders; and (a) the Subscriber or parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

## **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of (i) the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription (including the grant of the Specific Mandate) under the Listing Rules.

Pursuant to Rule 2.8 of the Takeovers Code, members of the independent board committee of the Company should comprise all non-executive Directors who have no direct or indirect interest in the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. As Mr. Guo Mengyong, a non-executive Director and the brother-in-law of Mr. Chi, is presumed to be a party acting in concert with the Subscriber pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Subscription, he is excluded as a member of the Independent Board Committee formed to make recommendations to the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code.

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The EGM will be held to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and (ii) the Whitewash Waiver.

The Subscriber and parties acting in concert with it and their respective associates and Shareholders who are involved in or interested in the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver will be required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

As at the date of this announcement, save for the Subscriber and parties acting in concert with it and their respective associates, no other Shareholder is involved in or interested in the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver and is required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

The Circular containing, among others, (i) further details of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; and (iv) a notice convening the EGM, will be despatched to the Shareholders within 21 days from the date of this announcement in compliance with Rule 8.2 of the Takeovers Code.

**Completion of the Subscription is subject to the fulfillment or waiver (as applicable) of the conditions. Accordingly, the Subscription may or may not proceed.**

**Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## DEFINITIONS

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Alpha Sino”	Alpha Sino International Limited, a company held by Mr. Chi as to 83.74% as at the date of this announcement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business
“Circular”	the circular to be issued by the Company in relation to, among others, the Subscription and the Whitewash Waiver
“Company”	Century Sunshine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 509)
“Completion”	completion of the Subscription in accordance with the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$0.1875 per Conversion Share, subject to adjustments set forth under the terms of the Convertible Bonds
“Conversion Share(s)”	the new Shares to be allotted and issued by the Company upon the exercise of the conversion right under the Convertible Bonds
“Convertible Bond(s)”	the 8% unsecured convertible bonds in the aggregate principal amount of HK\$300,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board established pursuant to the Takeovers Code and the Listing Rules to give recommendations to the Independent Shareholders in respect of (i) the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription (including the grant of the Specific Mandate) under the Listing Rules.
“Independent Financial Adviser”	Pelican Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver

“Independent Shareholders”	Shareholders other than the Subscriber and parties acting in concert with it and their respective associates and those who are involved in or interested in the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver and those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the EGM. As at the date of this announcement, save for the Subscriber and parties acting in concert with it and their respective associates, no other Shareholder is involved in or interested in the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver and is required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver at the EGM
“Last Trading Day”	17 April 2020, being the last trading day for the Shares on the Stock Exchange prior to the date of this announcement
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2020 or such other date as the Company and the Subscriber may agree from time to time in writing
“Material Adverse Change”	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on the ability of the Company and/or any member of the Group to perform its respective obligations under the Subscription Agreement or to complete the Subscription and the transactions contemplated under the Subscription Agreement
“Mr. Chi”	Mr. Chi Wen Fu, a controlling Shareholder, chairman of the Board and an executive Director

“Option(s)”	share option(s) granted or to be granted by the Board under the share option scheme of the Company
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“REMT”	Rare Earth Magnesium Technology Group Holdings Limited, a company incorporated in Bermuda with limited liability and a subsidiary owned as to 72.42% by the Company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 601)
“REMT Group”	REMT and its subsidiaries
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to allot and issue the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Century Sunshine Group Investment Company Limited, a limited liability company incorporated in the British Virgin Islands and wholly-owned by Mr. Chi
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 18 April 2020 entered into between the Company and the Subscriber in relation to the Subscription

“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the SFC
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Subscriber/Mr. Chi to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it which would, if the Subscription proceeds, otherwise arise as a result of the allotment and issuance of the Conversion Shares to the Subscriber
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 18 April 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*

*The Directors jointly and severally accept full responsibility for accuracy of the information (other than those relating to the Subscriber and the parties acting in concert with it) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber) in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The sole director of the Subscriber accepts full responsibility for the accuracy of the information contained in this announcement and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*