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RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

**DISCLOSEABLE AND CONNECTED TRANSACTION
– PROVISION OF LOAN**

BACKGROUND

Reference is made to the announcement of Century Sunshine Group Holdings Limited (Stock code: 509), the ultimate controlling shareholder of the Company, dated 26 July 2023, in relation to the debt restructuring scheme of Century Sunshine Group Holdings Limited having been sanctioned by the Hong Kong High Court. Century Sunshine Group Holdings Limited applied to the Company for the provision of a loan of less than HK\$10,000,000 in order to assist its settlement of the necessary debt restructuring professional fees.

THE LOAN AGREEMENT

The Board announces that, on 16 August 2023, upon considering the application, the Company (as the Lender) and Century Sunshine Group Holdings Limited (as the Borrower) entered into the Loan Agreement for a term of 1 year from 16 August 2023 to 15 August 2024, pursuant to which the Company has agreed to provide a loan of less than HK\$10,000,000 to Century Sunshine Group Holdings Limited.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, the transaction contemplated under the Loan Agreement constitutes a discloseable transaction of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Loan Agreement are less than 25%, therefore, pursuant to Chapter 14 of the Listing Rules, the Loan Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements, but are exempt from the circular and Shareholders' approval requirements.

In addition, Century Sunshine Group Holdings Limited is the ultimate controlling shareholder of the Company, and is therefore a connected person of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company. As one or more of the relevant applicable ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the loan are less than 25%, and the loan principal under the Loan Agreement exceeds HK\$3,000,000 but is less than HK\$10,000,000, pursuant to Chapter 14A of the Listing Rules, the Loan Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements.

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The principal terms and arrangements of the Loan Agreement are set out below:

Date

16 August 2023

Parties

- (a) Rare Earth Magnesium Technology Group Holdings Limited, as the Lender; and
- (b) Century Sunshine Group Holdings Limited, as the Borrower

Term

For a term of 1 year from 16 August 2023 to 15 August 2024.

Loan Principal

Less than HK\$10,000,000, to be drawn down within 2 months after the date of the Loan Agreement.

Interest Rate and Security

The interest rate shall be 5% per annum. Interest will be charged and calculated from the date of loan being drawn down and on the basis of the actual number of days elapsed and a year of 365 days.

No guarantee or security is given by Century Sunshine Group Holdings Limited for the loan.

Purpose of the Loan

The loan is provided to Century Sunshine Group Holdings Limited for the purpose of settlement of its outstanding professional fees necessary for its debt restructuring.

Repayment Terms

The outstanding principal amount of the loan together with all accrued interests are to be repaid in one lump sum at the end of the term of the Loan Agreement.

Century Sunshine Group Holdings Limited may make early repayment of the loan to the Company before the maturity date with the consent of the Company.

The provision of the loan under the Loan Agreement will be funded by the internal resources of the Group.

BASIS FOR DETERMINATION OF LOAN AMOUNT AND TERMS OF THE LOAN AGREEMENT

The principal amount of the loan and other terms of the Loan Agreement (including the annual interest rate) were agreed upon by the parties after arm's length negotiation and with reference to, among other things, the prevailing market terms of transaction of similar nature, the financial conditions and other background of Century Sunshine Group Holdings Limited, and commercial practices.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

Having considered that the scheme of arrangement of Century Sunshine Group Holdings Limited had been sanctioned by the Hong Kong High Court and working capital is required for the settlement of the professional fees necessary for the restructuring, and having considered the terms of the Loan Agreement, the Directors (including the independent non-executive Directors) considered that the Loan Agreement and the transaction contemplated thereunder were entered into by both parties after arm's length negotiation, are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

Under the Loan Agreement, Century Sunshine Group Holdings Limited shall, at the request of the Company, provide it with the information and documents in relation to the loan. The Company is also entitled to ascertain, inspect and request documents and information in relation to the operating activities, financial activities and material legal disputes of Century Sunshine Group Holdings Limited (including but not limited to the bank accounts, savings balance, outstanding indebtedness and bank statements etc.). The Company considers that the above measures would assist it with its assessment and monitoring of the financial condition and credit position of Century Sunshine Group Holding Limited, and enable the Company to control its credit risks and hence safeguard the interest of the Company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Mr. Shum Sai Chit is a director of certain subsidiaries of Century Sunshine Group Holdings Limited, and Mr. Cheung Sound Poon is a director of Century Sunshine Group Holdings Limited. Such Directors are considered to be having material interest in and have therefore abstained from voting on the Board resolutions approving the Loan Agreement and the transaction contemplated thereunder. Save as disclosed above, none of the other Directors has any material interest in the Loan Agreement and the transaction contemplated thereunder. Accordingly, none of them is required to abstain from voting on the relevant Board resolutions.

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Century Sunshine Group Holdings Limited is the ultimate controlling company of the Company, and is therefore a connected person of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the loan are less than 25%, and the loan principal under the Loan Agreement exceeds HK\$3,000,000 but less than HK\$10,000,000, pursuant to Chapter 14A of the Listing Rules, the Loan Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements.

INFORMATION OF THE PARTIES

The principal activity of the Company is investment holding.

The principal activities of the Group include the production and sales of magnesium alloy products.

Century Sunshine Group Holdings Limited is a company incorporated in the Cayman Islands with limited liability and a controlling shareholder of the Company. Century Sunshine Group Holdings Limited and other subsidiaries (excluding the Group) are principally engaged in the production and sales of ecological organic fertilizer.

By Order of the Board
Rare Earth Magnesium Technology Group Holdings Limited
Shum Sai Chit
Chairman

Hong Kong, 16 August 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Shum Sai Chit and Ms. Chi Sile; and three independent non-executive Directors, namely Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Lin Pengxuan.