
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED (the “Company”), you should at once hand the Prospectus Documents, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed “14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG” in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents or other documents referred to above.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings in the Rights Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

You should read the whole of the Prospectus Documents including the discussions of certain risks and other factors as set out in the section headed “Warning of the risks of dealings in the shares and the nil-paid rights” in the “Letter from the Board” in this Prospectus.



稀镁科技
REMT

稀镁科技集團控股有限公司

RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE

Underwriter

RaffAello
RaffAello Securities (HK) Ltd.

Raffaello Securities (HK) Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this Prospectus, unless the context requires otherwise.

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement”). Accordingly, the proposed Rights Issue may or may not proceed.

The Shares have been dealt in on an ex-rights basis from Wednesday, 13 September 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 10 October 2023 to Tuesday, 17 October 2023 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the proposed Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the proposed Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Rights Issue will proceed on a fully underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed “Conditions of the Rights Issue” in this Prospectus.

6 October 2023

CONTENTS

	<i>Page</i>
Termination of the Underwriting Agreement.	ii
Expected Timetable	iv
Definitions.	1
Letter from the Board.	6
Appendix I – Financial information of the Group	I-1
Appendix II – Unaudited pro forma financial information of the Group	II-1
Appendix III – General Information	III-1

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by giving written notice to the Company to terminate the Underwriting Agreement if any of the following occurs prior to the Latest Time for Termination:

- (a) any of the following which, in the reasonable opinion of the Underwriter, will or is likely to materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); and
 - (ii) the occurrence, happening, coming into effect or becoming public knowledge of: (1) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of Hong Kong dollar is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; (2) a suspension or a material limitation in trading in securities generally on the Stock Exchange; (3) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange for more than ten (10) consecutive Business Days (other than pending publication of the Announcement or any document relating to the Rights Issue); (4) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authority or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong; or (5) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof;
- (b) any change in the circumstances of the Company or any member of the Group occurs which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including, without limitation, the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material assets of the Group;
- (c) any event of force majeure occurs, including, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, pandemic outbreak, terrorism, armed conflict, strike or lock-out;
- (d) the commencement by any third party of any litigation or claim against any member of the Group which is material to the Group taken as a whole;
- (e) any other material adverse change in relation to the business or the financial or trading position of the Group as a whole;

TERMINATION OF THE UNDERWRITING AGREEMENT

- (f) the Company commits a material breach of the Underwriting Agreement where, in the reasonable opinion of the Underwriter, such breach will or is likely to have a material and adverse effect on the business or the financial or trading position of the Group taken as a whole or is otherwise likely to have a material prejudicial effect on the Rights Issue;
- (g) the Underwriter receives notification pursuant to the Underwriting Agreement, or otherwise becomes aware of, the fact that any representation or warranty of the Company as set out in the Underwriting Agreement was, when given, untrue, inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable discretion, determine that such untrue or inaccurate representation or warranty represents or is likely to present a material adverse change in the business or the financial or trading position of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue;
- (h) any condition to enable the Rights Issue (in nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS is not satisfied or notification is received by the Company from HKSCC that such admission or facility for holding and settlement has been or is to be refused;
- (i) any statement contained in the Announcement in respect of the Rights Issue or any Prospectus Document has been shown to be untrue, inaccurate, incomplete or misleading in a material respect with reference to the date on which such statement was made; or
- (j) the Company shall, after any specified event has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents) in such manner and with such content as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company and in accordance with the Listing Rules and/or the SFO.

Upon the giving of notice by the Underwriter pursuant to the Underwriting Agreement, all obligations of the Parties hereunder shall cease and determine and no Party shall have any claim against the other Party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, but without prejudice to any rights of any party to the Underwriting Agreement in respect of any antecedent breaches.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Rights Issue will not proceed.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Expected Timetable for the Rights Issue

2023

First day of dealing in Nil-Paid Rights Shares	Tuesday, 10 October
Latest time for splitting of the PAL	4:30 p.m., on Thursday, 12 October
Last day of dealing in Nil-Paid Rights Shares	Tuesday, 17 October
Latest Time for Acceptance of and payment for the Rights Shares and the Excess Rights Shares	4:00 p.m. on Friday, 20 October
Latest Time for Termination for the Rights Issue to become unconditional	5:00 p.m. on Thursday, 26 October
Announcement of results of the Rights Issue	Friday, 27 October
Despatch of certificates for fully-paid Rights Shares and refund cheques in relation to unsuccessful applications for wholly or partially unsuccessful excess applications or if the Rights Issue is terminated or rescinded	Monday, 30 October
Expected first day of dealings in fully-paid Rights Shares	Tuesday, 31 October

Dates or deadlines specified in expected timetable above or in other parts of this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest time for acceptance of and payment for Rights Shares will not take place if a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons, or a “black” rainstorm warning is:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and

EXPECTED TIMETABLE

- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned above section may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers (as amended and supplemented from time to time)
“Announcement”	the announcement of the Company dated 3 September 2023 in relation to the Rights Issue
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday or a day on which a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons, or “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9: 00 a.m. and 12: 00 noon and is not lowered or discontinued at or before 12: 00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Century Sunshine”	Century Sunshine Group Holdings Limited (in provisional liquidation) (for restructuring purposes only), a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 509)
“Company”	Rare Earth Magnesium Technology Group Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 601)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds of principal amount of HK\$458,389,736 issued by the Company on 5 August 2022 pursuant to creditors’ scheme of arrangement and entitled to holder to convert into 381,991,446 new Shares at the initial conversion price of HK\$1.2 per Share upon the exercise of the convertible right attached thereto in full

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for Excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“Excess Rights Share(s)”	consist of (i) Rights Shares that are not being taken up by the Qualifying Shareholders; and (ii) unsold entitlement of the Non-Qualifying Shareholders to the Rights Shares
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent of and not acting in concert or connected with the Company and its connected persons or any of their respective associates
“Last Trading Day”	31 August 2023, being the last full trading day of the Shares on the Stock Exchange prior to the Announcement
“Latest Acceptance Date”	Friday, 20 October 2023, or such other date as the Company and the Underwriter may agree in writing as the last day for acceptance of and payment for the Rights Shares
“Latest Lodging Time”	4:30 p.m. on Thursday, 14 September 2023 or such other date as the Underwriter and the Company may agree, being the latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	28 September 2023, being the latest practicable date prior to the printing of this Prospectus to ascertain certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on the Latest Acceptance Date or such other time as the Company and the Underwriter may agree in writing as the latest time for acceptance of and payment for the Rights Shares

DEFINITIONS

“Latest Time for Termination”	5:00 p.m. on Thursday, 26 October 2023 or such later time as the Company and the Underwriter may agree in writing as the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ming Xin”	Ming Xin Developments Limited, the immediate controlling shareholder of the Company, holding 158,045,871 Shares and the Convertible Bonds in the principal amount of HK\$447,076,299 (which is convertible into 372,563,582 new Shares) and the wholly-owned subsidiary of Century Sunshine
“MX Convertible Bonds”	the Convertible Bonds in the sum of HK\$ principal amount of HK\$447,076,299 (which is convertible into 372,563,582 new Shares) legally and beneficially held by Ming Xin as at the Latest Practicable Date
“MX Undertaking”	the irrevocable, unconditional undertaking dated 1 September 2023 and given by MX (i) to subscribe for 79,016,595 Rights Shares, being its full entitlement under the Rights Issue; (ii) not to exercise any of the conversion rights attaching to the MX Convertible Bonds in the principal amount of HK\$447,076,299 (which is convertible into 372,563,582 new Shares), up to and including the Record Date; (iii) the MX Convertible Bonds in the principal amount of HK\$447,076,299 will remain registered in the name of and beneficially owned by us respectively up to and including the Record Date; and (iv) not to apply for any Rights Shares under EAFs in excess of its entitlement under the Rights Issue
“Nil-Paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong

DEFINITIONS

“PAL(s)”	the renounceable provisional allotment letter(s) in respect of the Rights Issue proposed to be issued to the Qualifying Shareholders
“Prospectus”	this prospectus to be despatched to the Shareholders by the Company containing details of the Rights Issue
“Prospectus Documents”	collectively, this Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Friday, 6 October 2023, or such other day as may be agreed between the Company and the Underwriter for the dispatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Thursday, 21 September 2023 or such other date as may be agreed between the Company and the Underwriters in writing for the determination of the entitlements under the Rights Issue
“Registrar”	Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, being the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	new Shares to be allotted and issued under the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares in issue on the Record Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Options”	the 10,170,000 outstanding share options of the Company to subscribe for 10,170,000 new Shares granted pursuant to the share option scheme of the Company adopted on 4 December 2017

DEFINITIONS

“Shareholder(s)”	holder(s) of issued share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.08 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Underwriter”	Raffaello Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 1 September 2023 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Share(s)”	not less than 118,515,106 Rights Shares (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than 128,314,038 Rights Shares (assuming 10,170,000 new Shares having been allotted and issued upon full exercise of the outstanding Share Options by the holders of the Share Options and full conversion of the Convertible Bonds but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



稀鎂科技
REMT

稀鎂科技集團控股有限公司

RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

Executive Directors

Mr. Shum Sai Chit
Ms. Chi Sile

Independent non-executive Directors

Mr. Kwong Ping Man
Mr. Cheung Sound Poon
Mr. Lin Pengxuan

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business:

16th Floor, Tower 5
The Gateway Harbour City
Tsim Sha Tsui
Kowloon Hong Kong

6 October 2023

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES
HELD ON THE RECORD DATE**

INTRODUCTION

References are made to the Announcement, in relation to, among others, the Rights Issue and the announcement of the Company dated 19 September 2023 in relation to the revised expected timetable of the Rights Issue. The Company proposes to carry out the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.08 per Rights Share, to raise (before expenses) not less than approximately HK\$15.80 million (assuming no change in the number of Shares in issue on or before the Record Date) but not more than approximately HK\$16.58 million (assuming all the outstanding Share Options and Convertible Bonds have been exercised or converted on or before the Record Date) to the Qualifying Shareholders. Qualifying Shareholders are entitled to apply for Rights Shares in excess of their respective entitlements under the Rights Issue.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with, among others, further details on the Rights Issue, certain financial information and other general information on the Group.

THE RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price	:	HK\$0.08 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	HK\$0.0708 per Rights Share (assuming no change in the number of Shares on or before the Record Date) HK\$0.0743 per Rights Share (assuming all the outstanding Share Options and Convertible Bonds, but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date)
Number of existing Shares in issue at the Latest Practicable Date	:	395,063,402 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	197,531,701 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) Up to 207,330,633 Rights Shares (assuming all the outstanding Share Options and Convertible Bonds, but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$1,975,317.01 (assuming no change in the number of Shares in issue on or before the Record Date) Up to HK\$2,073,306.33 (assuming all the outstanding Share Options and Convertible Bonds, but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date)

LETTER FROM THE BOARD

Total number of Shares in issue upon completion of the Rights Issue	:	592,595,103 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
		621,991,899 Shares (assuming all the outstanding Share Options and Convertible Bonds, but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date)
Number of Rights Shares underwritten by the Underwriter	:	Not less than 118,515,106 Rights Shares (as a result that Ming Xin has undertaken to subscribe for 79,016,595 Rights Shares pursuant to the MX Undertaking) or not more than 128,314,038 Rights Shares on fully underwritten basis
Gross proceeds from the Rights Issue	:	approximately HK\$15.80 million (assuming no change in the number of Shares in issue on or before the Record Date)
		approximately HK\$16.58 million (assuming all the outstanding Share Options and Convertible Bonds, but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company has 10,170,000 outstanding Share Options and outstanding Convertible Bonds of HK\$458,389,736 which entitle the holders to convert into 381,991,446 new Shares. Save as disclosed, the Company has no other derivatives, options, warrants, convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares.

The register of members of the Company was closed from Friday, 15 September 2023 to Thursday, 21 September 2023 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue. Prior to the close of the Company's register of members, no outstanding Share Options have been exercised and no Convertible Bonds have been converted. Hence, the issued share capital of the Company remains unchanged, i.e. 395,063,402 Shares. Such number of Shares remained the same on the Record Date, i.e. Thursday, 21 September 2023. Hence, the maximum number of Rights Shares to be issued pursuant to the terms of the Rights Issue will be 197,531,701 Rights Shares, which represents (i) 50% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 33.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price is HK\$0.08 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for Excess Rights Shares under the Rights Issue or when a transferee of the Nil-Paid Rights applies for the Rights Shares.

The Subscription Price of HK\$0.08 per Rights Share represents:

- (i) a discount of approximately 39.85% to the closing price of HK\$0.133 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 31.62 % to the average of the closing price of HK\$0.117 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 27.27 % to the average of the closing price of HK\$0.110 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 56.52% to the closing price of HK\$0.184 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 96.52% to the latest published consolidated net asset value per Share as at 30 June 2023 of approximately HK\$2.30 (as shown in the interim report of the Company for the six months ended 30 June 2023 published on 8 September 2023);
- (vi) a discount of approximately 23.81% to the theoretical ex-rights price of approximately HK\$0.105 per Share as adjusted for the effect of the Rights Issue, based on the average of closing price of HK\$0.117 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (vii) a theoretical dilution effect (as defined under rule 7.27B of the Listing Rules) of approximately 13.28% of the theoretical diluted price of HK\$0.115 per Share to the benchmarked price of HK\$0.133 per Share.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.0708 (assuming no change in the number of Shares on or before the Record Date and all the Rights Shares) and HK\$0.0743 (assuming all the outstanding Share Options and Convertible Bonds, but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date).

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter who entered into negotiation for the Rights Issue in mid August 2023. The Subscription Price was determined with reference to, among others, (i) the market price of the Shares which for the one month period preceding the commencement of negotiation had the trading price ranging from HK\$0.095 to HK\$0.135 per Share; (ii) the low liquidity of the Shares of which the average daily trading volume about 400,000 Shares represented approximately 0.01% of the total issued share capital while the highest daily trading volume was about 2,650,000 Shares for the three months immediately preceding date of the Underwriting Agreement, represented approximately 0.67% of the total issued share capital and the lowest daily trading volume was nil; (iii) the low market sentiment and the Hang Seng Index fell below 18,000 for the period from 18 August 2023 to 23 August 2023; (iv) the latest financial position of the Group; and (v) the reasons for and benefits of the Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" in this Prospectus.

During the past one year preceding the date of the Underwriting Agreement, the Shares were traded in the range of HK\$0.393 to HK\$0.081, representing discounts of approximately 82.91% to 96.48% to the latest published consolidated net asset value per Share. This reflects that the Shares were at all time during the past one year traded substantially below the net asset value per Share. The Directors consider that despite the Subscription Price represents a discount of approximately 96.52% to the latest published consolidated net asset value per Share as at 30 June 2023 of approximately HK\$2.30, it is more appropriate and meaningful to compare the Subscription Price with market price than the net asset value per Share.

After taking into consideration the reasons for the Rights Issue as stated in the section headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" below, the Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Non-Qualifying Shareholders. The Rights Issue will only be available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder on the Record Date.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors of the Company should consult their professional advisers if they are in doubt.

LETTER FROM THE BOARD

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar in Hong Kong, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) by no later than the Latest Lodging Time.

The last day of dealing in the Shares on cum-rights basis was Tuesday, 12 September 2023. The Shares have been dealt with on an ex-rights basis from Wednesday, 13 September 2023.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled to and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

As at the Latest Practicable Date, there were six Overseas Shareholders whose registered addresses were in the British Virgin Islands, the PRC, the United Kingdom and Canada respectively. The two Overseas Shareholders located in the British Virgin Islands were holding in aggregate 52,927,319 Shares. The two Overseas Shareholders located in the United Kingdom were holding in aggregate 1,100 Shares. The Overseas Shareholder located in the PRC was holding 5,989,000 Shares. The Directors have been advised by its legal advisers that it would be lawful for the Company to offer the Rights Shares to the Shareholders with registered addresses in the British Virgin Islands, the PRC and the United Kingdom even though the Prospectus Documents are not registered in those relevant jurisdictions.

The Overseas Shareholder with registered address situated in Ontario, Canada was holding 2,000 Shares as at the Latest Practicable Date. Assuming the said Canadian Overseas Shareholder takes up his entitlement to the Rights Issue in full, the subscription amount for his entitlement to the Rights Shares will be approximately HK\$80. In compliance with the necessary requirements of the Listing Rules, the Company had made enquiry regarding the feasibility of extending the Rights Issue to that Overseas Shareholder. Based on the legal opinion obtained by the Company from the legal adviser as to Canada law, the Company must file the Prospectus for the Rights Issues with Ontario Securities Commission before it could extend the Rights Issue to a Canadian Overseas Shareholder. It usually takes two months from filing and the cost incurred would be approximately CAD 10,000 in legal fees and could be up to CAD 8,000 in terms of other disbursements. Having regard to the time and costs involved in complying with the relevant conditions required for exemption, the legal opinion recommend to exclude the Canadian Overseas Shareholder from the Rights Issue. Hence, the Rights Issue will not be extended to such Overseas Shareholder.

The Company will send the Prospectus (without the PAL and the EAF) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

LETTER FROM THE BOARD

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the Nil-Paid Rights commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Basis of provisional allotment

The basis of the provisional allotment shall be One (1) Rights Share for every two (2) existing Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable to "**Rare Earth Magnesium Technology Group Holdings Limited**" and crossed "**Account Payee Only**" for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Fractional entitlements to the Rights Shares

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company. Any unsold entitlements shall be made available for excess application by the Qualifying Shareholders.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses at their own risk on or before Monday, 30 October 2023. Refund cheques in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on or before Monday, 30 October 2023 by ordinary post to the applicants at their own risk, to their registered addresses. All applicants, except HKSCC Nominees Limited, will receive one share certificate for the Rights Shares allotted to them.

LETTER FROM THE BOARD

Application for Excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders. Applications for the Excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the Excess Rights Shares being applied for.

The Board will allocate the Excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) no preference will be given to applications for topping-up odd-Non-Qualifying Shareholders holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) subject to availability of the Excess Rights Shares, the Excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of Excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through PALs, or the number of Shares held by the Qualifying Shareholders.

Beneficial owners of Shares whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the Excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) by no later than the Latest Lodging Time.

Cheques and cashier orders

Qualifying Shareholders who wish to apply for Excess Rights Shares in addition to their provisional allotment must complete and sign an EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the Excess Rights Shares applied for, with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, on or before the Latest Time for Acceptance. All remittances must be made in Hong Kong dollars by cheque which must be drawn on a bank account with, or by cashier's order which must be issued by, a licensed bank in Hong Kong and made payable to "**Rare Earth Magnesium Technology Group Holdings Limited**" and crossed "**Account Payee Only**".

LETTER FROM THE BOARD

All cheques and cashier's orders accompanying completed PALs and/or EAFs will be presented for payment immediately upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL and/or the EAF with a cheque or a cashier's order in payment for the Rights Shares, whether by a Qualifying Shareholder or any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL and/or EAF in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and in that event the relevant provisional allotment of Rights Shares and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. You must pay the exact amount payable upon application for Rights Shares, and any underpaid application will be rejected. In the event of an overpaid application, a refund cheque, without interest, will be made out to you only if the overpaid amount is HK\$100 or above. No receipt will be issued in respect of any PAL and/or EAF and/or relevant remittance received.

Beneficial owners' instructions to their Intermediary

For beneficial owners whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, if they wish to subscribe for the Rights Shares provisionally allotted to them, or sell their Nil-Paid Rights Shares or "split" their Nil-Paid Rights Shares by accepting part of their provisional allotment and selling/transferring the remaining part, they should contact their Intermediary and provide their Intermediary with instructions or make arrangements with their Intermediary in relation to the acceptance, transfer and/or "splitting" of the rights to subscribe for the Rights Shares which have been provisionally allotted to them in respect of the Shares in which they are beneficially interested. Such instructions and the relevant arrangements should be given or made in advance of the relevant dates stated in the "Expected Timetable" in this Prospectus and otherwise in accordance with the requirements of their Intermediary in order to allow their Intermediary sufficient time to ensure that their instructions are given effect. The procedures for acceptance, transfer and/or "splitting" in these cases shall be in accordance with the General Rules of CCASS, the CCASS Operational Procedures and any other applicable requirements of CCASS.

Distribution of the Prospectus Documents

The Prospectus Documents are not intended to be, have not been and will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will only send this Prospectus accompanied by the other Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date. However, to the extent reasonably practicable and legally permitted, the Company will send this Prospectus, for information purposes only, to the Non-Qualifying Shareholders (if any) and will not send any PALs and/or EAFs to the Non-Qualifying Shareholders (if any).

Distribution of this Prospectus and the other Prospectus Documents into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of the Prospectus Documents (including, without limitation, Shareholders and beneficial owners of the Shares, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any Shareholder or beneficial owner of the Shares who is in any doubt as to his/her/its position should consult an appropriate professional adviser without delay.

LETTER FROM THE BOARD

Receipt of this Prospectus and/or a PAL and/or an EAF or the crediting of Nil-Paid Rights to a stock account in CCASS does not and will not constitute an offer in any jurisdiction in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or a PAL and/or an EAF must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this Prospectus and/or a PAL and/or an EAF or whose stock account in CCASS is credited with Nil-Paid Rights should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer the Nil-Paid Rights to any person in, into or from, any such jurisdiction. If a PAL and/or an EAF or a credit of Nil-paid Rights in CCASS is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not seek to take up the rights referred to in the PAL and/or the EAF or transfer the PAL and/or the EAF or transfer the Nil-Paid Rights in CCASS unless the Company determines that such action would not violate any applicable legal or regulatory requirements.

Any person (including, without limitation, agents, custodians, nominees and trustees) who does forward this Prospectus or a PAL and/or an EAF in, into or from any such jurisdiction (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

No part of the Prospectus Documents should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the written consent of the Company.

Application for listing of the Rights Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. All Nil-Paid Rights and/or fully-paid Rights Shares will be dealt in original board lot size of 10,000 Shares.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Nil-Paid Rights or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the Nil-Paid Rights on their behalf.

The MX Undertaking

Pursuant to the MX Undertaking, Ming Xin has irrevocably undertaken to the Company and the Underwriter that:

- (i) to subscribe for 79,016,595 Rights Shares, being its entitlement under the Rights Issue so that its shareholding in the Company immediately upon completion of the Rights Issue will be no less than 40.00% of the shareholding in the Company as enlarged by the Rights Shares;
- (ii) not to exercise any of the conversion rights attaching to the MX Convertible Bonds in the principal amount of HK\$447,076,299 (which is convertible into 372,563,582 new Shares), up to and including the Record Date;
- (iii) the MX Convertible Bonds in the principal amount of HK\$447,076,299 will remain registered in the name of and beneficially owned by Ming Xin respectively up to and including the Record Date; and
- (iv) not to apply for any Rights Shares under EAFs in excess of its entitlement under the Rights Issue.

According to the MX Undertaking, Ming Xin undertakes not to apply for the Excess Rights Shares under the EAF and not to convert the MX Convertible Bonds. Further, according to the scheme of arrangement of Century Sunshine, Ming Xin has transferred 79,012,680 Shares, representing approximately 20.00% shareholding of the Company, to the scheme company before the Record Date. The scheme company will hold those 79,012,680 Shares on trust of the creditors of Century Sunshine. As advised by Century Sunshine, after the distribution of those 79,012,680 Shares to its creditors, none of Century Sunshine's creditors will become a substantial shareholder of the Company and all the holders of those 79,012,680 Shares will be prima facie be entitled to participating the Rights Issues, unless they are Non-Qualifying Shareholders. After the said transfer, Ming Xin was holding 158,033,191 Shares, representing approximately 40.00% shareholding of the Company as at the Latest Practicable Date. Ming Xin will be entitled to subscribing for 79,016,595 Rights Shares. Given that Ming Xin has undertaken to subscribe for 79,016,595 Rights Shares, being its entitlement under the Rights Issue, so that its shareholding in the Company immediately upon completion of the Rights Issue will be no less than 40.00% of the shareholding in the Company as enlarged by the Rights Shares, the relevant percentage ratio (as defined under the Listing Rules) in respect of its acceptance or rejection of the Rights Shares, on part of the Company is greater than 5% but less than 25%, the participation or non-participation of Ming Xin in the Rights Issue will constitute a discloseable transaction on the part of Century Sunshine under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

LETTER FROM THE BOARD

No irrevocable commitments

As at the Latest Practicable Date, save for the MX Undertaking, (i) the Company has not received any irrevocable commitments to accept or reject the Rights Shares; and (ii) the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them.

Fully Underwritten Basis

The Rights Issue will proceed on a fully underwritten basis. Please refer to the section headed “The Underwriting Agreement” below for further details of the Underwriting Agreement.

THE UNDERWRITING AGREEMENT

On 1 September 2023, the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue. Further details of the Underwriting Agreement are set out below:

The Underwriting Agreement

Date : 1 September 2023

Underwriter : Raffaello Securities (HK) Limited

To the best of the Director’s knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules

Number of Rights Shares : 197,531,701 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)

Up to 207,330,633 Rights Share (assuming all the outstanding Share Options and Convertible but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date)

LETTER FROM THE BOARD

Number of Rights Shares underwritten by the Underwriter : not less than 118,515,106 Rights Shares (assuming no new Shares having been allotted and issued from the exercise of the outstanding Share Options on or before the Record Date), and not more than 128,314,038 Rights Shares (assuming 10,170,000 new Shares having been allotted and issued upon full exercise of the outstanding Share Options by the holders of the Share Options and full conversion of the Convertible Bonds, but excluding the MX Convertible Bonds, by the holders thereof on or before the Record Date)

Taking into effect of the MX Undertaking, the Rights Issue will proceed on a fully underwritten basis.

Underwriting Commission : an underwriting commission of 7.07% of the aggregate subscription amount in respect of the Rights Shares, being the gross proceeds from the Rights Issue.

The Rights Issue is underwritten by the Underwriter on fully underwritten basis pursuant to the terms of the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Underwriter undertakes with the Company that:

- (i) the sub-underwriter(s) and/or the subscribers procured by the Underwriter for any Underwritten Shares which have not been taken up on the terms of the Prospectus Documents, would be independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates;
- (ii) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
- (iii) the Underwriter will not (together with its respective parties acting in concert or any of its respective connected persons or associates) hold in aggregate 9.9% or more of the voting rights of the Company immediately after the Rights Issue; and
- (iv) each of the sub-underwriter(s) or each of the ultimate subscribers or purchasers procured by the Underwriter or the sub-underwriter(s) will not (together with each of the respective parties acting in concert or any of their respective connected persons or associates) hold in aggregate 9.9% or more of the voting rights of the Company immediately after the Rights Issue.

LETTER FROM THE BOARD

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) is fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Underwriting Agreement.

Subject to the fulfilment (or any waiver, as the case may be, by the Underwriter) of all the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe or procure the subscription, on a best-effort and non-fully underwritten basis, for the Underwritten Shares that are not otherwise taken up.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong of the Prospectus Documents in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) not later than the Prospectus Posting Date;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Posting Date;
- (c) the Bermuda Monetary Authority granting consent to (if required) the issue of the Rights Shares by no later than the Prospectus Posting Date;
- (d) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by either all Directors or one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act 1981 of Bermuda on or before the Prospectus Posting Date;
- (e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares, in nil-paid and fully-paid forms;
- (f) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance;
- (g) the obligations of the Underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms;

LETTER FROM THE BOARD

- (h) compliance with and performance of all the undertakings and obligations of Ming Xin under the MX Undertaking;
- (i) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda; and
- (j) the Underwriting Agreement not being terminated in accordance with the terms hereof on or before the Latest time for Termination.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

The Company shall use its reasonable endeavours to procure the fulfilment of all the above conditions by the Latest Time for Termination or such other time as the Parties may agree in writing. The Company shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such other acts and things as may be necessary to give effect to the Rights Issue. If the above conditions are not fulfilled by the Latest Time for Termination or such other time as the Company and the Underwriter may agree in writing, the Underwriting Agreement shall terminate and no party thereto shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iii) immediately upon completion of the Rights Issue assuming none of the Qualifying Shareholders (except Ming Xin) subscribe for the Rights Shares:

	Scenario (i)	Approx. %	Scenario (ii)	Approx. %	Scenario (iii)	Approx. %
Ming Xin ^(notes 1, 2 & 3)	158,033,191	40.00	237,049,786	40.00	237,049,786	40.00 <i>(note 1)</i>
Public Shareholders						
Scheme company ^(note 3)	79,012,680	20.00	118,519,020	20.00	79,012,680	13.33
Underwriter ^(note 4)	–	–	–	–	118,515,106	20.00
Other public shareholders	<u>158,017,531</u>	<u>40.00</u>	<u>237,026,297</u>	<u>40.00</u>	<u>158,017,531</u>	<u>26.67</u>
Total	<u>395,063,402</u>	<u>100.00</u>	<u>592,595,103</u>	<u>100.00</u>	<u>592,595,103</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

- (1) As at the Latest Practicable Date, Ming Xin was the beneficial owner of 158,033,191 Shares and the MX Convertible Bonds. Pursuant to MX Undertaking, Ming Xin has undertaken not to convert the MX Convertible Bonds into any new Share and to subscribe for 79,016,595 Rights Shares, being its full entitlement under the Rights Issue.
- (2) Ming Xin is an indirect wholly-owned subsidiary of Century Sunshine and Century Sunshine is therefore deemed to be interested in all the Shares and the Convertible Bonds in which Ming Xin Developments is interested by virtue of the SFO.
- (3) Pursuant to the creditor scheme of arrangement of Century Sunshine which approved at the creditors meeting on 12 May 2023 and sanctioned by the High Court of Hong Kong on 26 July 2023, Century Sunshine has procured the transfer of 79,012,680 Shares held by Ming Xin to a scheme company as an asset payable to its creditors. Entitlements to the scheme shares proceeds (after scheme costs) and the voting rights attached to the scheme shares will be allocated to scheme creditors pro rata to their admitted claims. Each scheme creditor may exercise the voting rights in respect of their scheme shares by giving their instructions to the scheme administrators (on behalf of the scheme company) as their authorised proxy. The scheme company will not otherwise exercise any voting rights attached to the scheme shares held by it on behalf of the scheme creditors. There has no single creditor holding share interest of 10% or more.
- (4) Pursuant to the Underwriting Agreement, the Underwriter undertakes with the Company that:
 - (i) the sub-underwriter(s) and/or the subscribers procured by the Underwriter for any Underwritten Shares which have not been taken up on the terms of the Prospectus Documents, would be independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates;
 - (ii) the public float requirements under Rule 8.08 of the Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
 - (iii) the Underwriter will not (together with its respective parties acting in concert or any of its respective connected persons or associates) hold in aggregate 9.9% or more of the voting rights of the Company immediately after the Rights Issue; and
 - (iv) each of the sub-underwriter(s) or each of the ultimate subscribers or purchasers procured by the Underwriter or the sub-underwriter(s) will not (together with each of the respective parties acting in concert or any of their respective connected persons or associates) hold in aggregate 9.9% or more of the voting rights of the Company immediately after the Rights Issue.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has not conducted any rights issue or open offer within the 12-month period prior to the date of the Announcement. The Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50% and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective associates). Hence, the Rights Issue is not subject to Shareholders' approval under the Listing Rules and will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

INFORMATION ON THE UNDERWRITER

The Underwriter is a corporate licensed to carry out Type 1 (dealings in securities) and Type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. As such, the Underwriter complies with Rule 7.19(1) of the Listing Rules.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and selling magnesium related products.

In 2022 and the first half of 2023, China's magnesium ingot market saw a downturn. Despite the ongoing decline in magnesium prices, the production costs of magnesium remained high, putting pressure on the profits of magnesium production enterprises.

However, according to the report, the global magnesium market is expected to witness a significant growth rate during the period from 2023 to 2028. Due to the change in emission regulations, it is expected that magnesium will be an ideal substitution for aluminium and steel to decrease the weight of vehicles to comply with the new regulations. Therefore it can be foreseen that there will be an increase in demand of magnesium from the automotive industry.

According to the market research report, the global metal magnesium market size is expected to grow from 1.09 million tons in 2023 to 1.42 million tons by 2028, at a CAGR of 5.30% during the forecast period. The market growth is anticipated to be driven by the increasing product demand from die casting and aluminum alloy applications in various end-use industries. Magnesium is ideal for these applications due to its good electromagnetic screening property and heat conductivity.

LETTER FROM THE BOARD

The Directors also believe that the lift of COVID-19 measures in China and other countries will improve global economy and is anticipated to augment the market growth of magnesium industry from 2024 to 2028. Our management team is therefore confident in the market's potential to recover. The Directors consider that it is prudent for the Company to strengthen its capital base. The infusion of capital from the Rights issue is a strategic move to supplement our working capital. This proactive measure will provide us with the financial flexibility required to navigate current market uncertainties and to readily capture emerging opportunities as conditions improve. By strengthening our liquidity position now, we are not only safeguarding our daily operations but also setting the stage for our ability to thrive once the market rebounds.

The company has considered other fund-raising activities for replenishing the capital, such as placing of new Shares or debt financing. The Directors considers that placing of new Shares would be a suboptimal fund-raising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunity to participate in the enlargement of the capital base of the Company. Debt financing will increase the gearing of the Group and the Company will incur interest expenses and not a wise option as the Company would like to capture future magnesium market growth at the lowest capital cost. In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability) or through excess applications; or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Upon the successful completion of the Rights Issue, the actual net proceeds will be ranging from approximately HK\$14.4 million to HK\$15.1 million, after deducting the underwriting commission and other direct professional fees.

Around 50% of the net proceeds, or approximately HK\$7.2 million to HK\$7.6 million, is planned to be used to cover ongoing administrative and operating expenses. These costs include operational expenditures such as salaries, rent, utilities, and other necessary operational items.

The remaining 50%, of approximately HK\$7.2 million to HK\$7.6 million, will primarily be used to nurture the growth of the Group's existing magnesium business, such as supporting production costs, facilitating the purchase of raw materials, etc. In response to potential market fluctuations and economic changes, the Company may make suitable adjustments to this proposed allocation. This flexibility ensures the most effective and beneficial use of funds for the Group's ongoing business operations and growth strategy. Further announcement will be made by the Company if there are any material changes in the allocation of the use of funds.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL PAID RIGHTS

The Shares have been dealt on an ex-rights basis from Wednesday, 13 September 2023. Dealings in the Nil-Paid Rights are expected to take place from Monday, 10 October 2023 to Tuesday, 17 October 2023 (both days inclusive). If the conditions of the Rights Issue (please refer to the section headed “Conditions of the Rights Issue” in this announcement) are not fulfilled, the Rights Issue will not proceed. Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Nil-Paid Rights is advised to exercise caution when dealing in the Shares and/or the Nil-Paid Rights. Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s). Any Shareholder or other person dealing in the Shares or in the Nil-Paid Rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

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

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 respectively are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fw-holdings.com):

- annual report of the Company for the year ended 31 December 2020 published on 9 April 2021 (pages 53 to 164):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0409/2021040900029.pdf>

- annual report of the Company for the year ended 31 December 2021 published on 13 April 2022 (pages 55 to 176):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041300001.pdf>

- annual report of the Company for the year ended 31 December 2022 published on 24 April 2023 (pages 53 to 184):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400003.pdf>

- interim report of the Company for the six months ended 30 June 2023 published on 8 September 2023 (pages 3 to 23):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0908/2023090800005.pdf>

2. INDEBTEDNESS**Borrowings**

As at the close of business on 31 August 2023, being the latest practicable date prior to the printing of this Prospectus for the purpose of this statement of indebtedness, the total indebtedness of the Group amounted to approximately HK\$666.9 million, and comprised of secured interest-bearing bank borrowings of approximately HK\$68.9 million, other borrowings of approximately HK\$260.1 million which include an International Finance Corporation loan of approximately 42.7 million and liabilities under the Creditors' Scheme of HK\$217.4 million, and convertible bonds of approximately HK\$337.9 million.

Pledge of assets

The Group's bank facilities are secured by (i) pledges of certain of the Group's time deposits of approximately HK\$9.3 million at 31 August 2023; (iii) pledges of the Group's land use rights, plants and equipment with a carrying value of approximately HK\$299 million at 31 August 2023.

Guarantee

As at 31 August 2023, all the borrowings of the Group amounted to approximately HK\$329 million were guaranteed. The guaranteed borrowings were as below: (a) HK\$286.3 million of borrowings were guaranteed by Century Sunshine Group Holdings Limited; (b) HK\$68.9 million of borrowings were guaranteed by a PRC subsidiary of Century Sunshine Group Holdings Limited. As at 31 August 2023, the Group has provided corporate guarantees to a PRC subsidiary of Century Sunshine to finance their secured borrowings of approximately RMB124.96 million (which has been disclosed in the announcement dated 1 August 2021).

Save as disclosed above, as at the close of business on 31 August 2023, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, other similar indebtedness, liabilities under acceptances or acceptances credits, debentures, mortgages, charges, guarantees or other material contingent liabilities. Save as aforesaid and apart from intra-group liabilities and normal trade payables and other payables and accruals in the ordinary course of business, at the close of business on 31 August 2023, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that taking into account (i) the internal resources of the Group; (ii) the existing banking and other borrowing facilities available; (iii) estimated proceeds from the Rights Issue, and (iv) the existing cash and bank balances, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this Prospectus.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, so far as was known to the Directors, there are no material adverse change in the financial or trading position of the Group as at 31 December 2022, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT

In the short term, magnesium prices and the magnesium market are currently in a downturn. However, looking at the long term, the prospects for magnesium development are promising. Firstly, China has abundant magnesium resources, being one of the world's richest reserves of metallic elements, ensuring a sufficient supply of raw materials. Moreover, China is a major producer of raw magnesium, consistently ranking first in terms of production and exports, which gives it strong bargaining power. The "Pijiang Method" production technology in China is also more mature and cost-effective compared to other countries. Through the continuous expansion of magnesium applications over the past few decades, magnesium has been utilised in various aspects of life. The application of magnesium in automotive light weighting is particularly common. Additionally, green, low carbon, and lightweight building template materials are becoming a future development trend, creating favourable conditions for the expansion of the magnesium template market.

In the context of the “dual carbon” goals, energy conservation, environmental protection, and carbon emission reduction have become the determined direction for the development of the automotive industry. Magnesium alloys are preferred materials for automotive light weighting. Currently, the main metal materials used for automotive light weighting include high-strength steel, aluminium alloys, and magnesium alloys. Among them, magnesium alloy materials are applied in various parts of automobiles, such as internal structures, chassis, and powertrain, due to their advantages of low density, good vibration absorption, high dimensional stability, high thermal conductivity, and good wear resistance. With the continuous advancement of technology both domestically and internationally, the variety of magnesium alloy components produced is constantly increasing. Currently, China has developed over 100 types of magnesium alloy automotive components, achieving a weight reduction effect of 55%-60% for the vehicle body.

In addition to the automotive light weighting sector, building templates are likely to be the next rapidly growing area of magnesium demand. Compared to aluminium templates weighing 21-25kg per square meter, magnesium templates are lighter, weighing only 16kg per square meter. Furthermore, the physical properties of magnesium alloys make them easier to shape through die casting processes. They are also easier to clean under alkaline conditions, making magnesium alloys a more promising template material in the market. In terms of cost, magnesium alloy prices have experienced significant fluctuations in the past, with short-term surges in magnesium prices, which created certain cost disadvantages for magnesium alloy templates. However, with the decline in magnesium prices, based on price calculations of magnesium and aluminium ingot materials as of June 6, 2023, the cost of magnesium templates (die casting) is estimated to be RMB586.67 per square meter, which is 3.8% lower than aluminium templates. The “magnesium replacing aluminium” advantage is evident.

Academician Pan Fusheng of Chinese Academy of Engineering once said, “It took us ‘ten years’ to make magnesium alloy structural materials commonplace in ‘thousands of households.’ We are fully capable of using ‘another ten years’ to make magnesium alloy functional products spread across the world.” Nowadays, magnesium is widely used in automobiles, 3C electronic products, and the aerospace sector. The larger scale application of magnesium alloy lightweight products lies in magnesium batteries and hydrogen storage, and their development and breakthroughs are of strategic importance in ensuring national energy security, achieving dual carbon goals, and enhancing the sustainable development capabilities of new energy vehicles. The management believes that as the market applications of magnesium products continue to expand, the trend of “magnesium replacing aluminium” becomes clearer and more certain, and the trends of “light weighting” and “energy conservation and emission reduction” receive more attention and promotion. The magnesium industry has broad market prospects. As a pioneer in the industry, the Company has experienced the ups and downs of the industry, accumulated valuable experience and technological advantages, and will embrace a bright future together with the magnesium industry.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS TO THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 30 June 2023 and taking into account of certain assumptions.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Rights Issue been completed as at 30 June 2023 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023, as extracted from the Group’s unaudited condensed consolidated statement of financial position as at 30 June 2023, as extracted from the published interim report of the Company for the six months period ended 30 June 2023, and is adjusted for the effect of the Rights Issue described below.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 <i>HK\$’000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$’000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 immediately after completion of the Rights Issue <i>HK\$’000</i> <i>(Note 3)</i>	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 prior to the completion of the Rights Issue per Share <i>HK\$</i> <i>(Note 4)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 immediately after completion of the Rights Issue per Share <i>HK\$</i> <i>(Note 5)</i>
Based on minimum number of 197,531,701 Rights Shares to be issued at subscription price of HK\$0.08 per Rights Share				
909,425	14,400	923,825	2.3	1.56

Notes:

- (1) The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 is extracted from the interim report of the Company for the six months ended 30 June 2023, which is equal to the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2023 of approximately HK\$909,425,000.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$14,400,000 are based on 197,531,701 Rights Shares to be issued (in the proportion of one (1) Rights Share for every two (2) existing Shares held on Record Date) at the Subscription Price of HK\$0.08 per Rights Share, after deduction of the underwriting commission and other direct professional fees of approximately HK\$1.4 million, assuming that the Rights Issue had been completed on 30 June 2023.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue is calculated based on the combination of unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 of approximately HK\$909,425,000 (Note 1) and estimated net proceeds from the Rights Issue of approximately HK\$14,400,000 (Note 2).
- (4) The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 was HK\$2.3 which was based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 of approximately HK\$909,425,000, divided by 395,063,402 Shares in issue as at 30 June 2023.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue per share as at 30 June 2023 was HK\$1.56 which was based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 immediately after completion of the Rights Issue of approximately HK\$923,825,000, divided by the sum of 395,063,402 Shares in issue as at 30 June 2023 and 197,531,701 Rights Shares, assuming the Rights Issue had been completed on 30 June 2023.
- (6) No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountant, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this Prospectus.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Rare Earth Magnesium Technology Group Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Rare Earth Magnesium Technology Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) consists of the unaudited pro forma statement of consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 and related notes as set out in Appendix II to the prospectus issued by the Company dated 6 October 2023 (the “**Prospectus**”). The Company in connection with the proposed rights issue on the basis of one rights share for every two existing share of the Company (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group's consolidated net tangible assets attributable to owners of the Company as at 30 June 2023 as if the Rights Issue had taken place at 30 June 2023. As part of this process, information about the Group's consolidated financial position as at 30 June 2023 has been extracted by the Directors from the consolidated financial statements of the Company for the period ended 30 June 2023, on which an interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the HKICPA, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hong Kong, 6 October 2023

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility for the information contained herein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date were; and (b) immediately after completion of the Rights Issue (assuming no new Shares were issued by the Company between the Latest Practicable Date and the Record Date and the Rights Issue becoming unconditional) will be, as follows:

(a) As at the Latest Practicable Date:

<i>Authorised:</i>		<i>HK\$</i>
<u>130,000,000,000</u>	ordinary Shares of HK\$0.01 each	<u>1,300,000,000</u>
<i>Issued and fully paid:</i>		
<u>395,063,402</u>	ordinary Shares of HK\$0.01 each	<u>3,950,634.02</u>

(b) Immediately after the completion of the Rights Issue:

<i>Authorised:</i>		<i>HK\$</i>
130,000,000,000	ordinary Shares of HK\$0.01 each	1,300,000,000
<i>Issued and fully paid:</i>		
395,063,402	ordinary Shares of HK\$0.01 each	3,950,634.02
197,531,701	Rights Shares to be allotted and issued (assuming no new Shares having been allotted and issued on or before the Record Date)	1,975,317.01
<u>592,595,103</u>	Shares of HK\$0.01 each	<u>5,925,951.03</u>

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects, including capital, dividends and voting rights with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for 10,170,000 outstanding Share Options and the Convertible Bonds of HK\$458,389,736 which entitle the holders to convert into 381,991,446 new Shares, the Company did not have any outstanding options, warrants or convertible securities which confer rights to subscribe for or affect the Shares. No capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no founder or management or deferred shares.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company or their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), were as follows:

Long position in Shares and underlying shares of the Company

Name of Director	Nature of interest	Interest in Shares and underlying shares	Approximate percentage of issued Shares
Shum Sai Chit ^(Note)	Beneficial owner	1,500,000	0.38%

Note:

Mr. Shum Sai Chit is interested in 1,500,000 Share Options which entitles him to subscribe for 1,500,000 Shares upon full exercise of the Share Options.

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders

As far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long position in Shares*Long positions in the ordinary shares and the underlying shares of the Company*

Name of Shareholder	Capacity	Number of Shares	Percentage of the Company's issued share capital
Ming Xin ^(note 1)	Beneficial owner	158,033,191	40.00%
Scheme company ^(note 2)	Beneficial owner	79,012,680	20.00%

Notes:

- (1) Ming Xin is an indirect wholly-owned subsidiary of Century Sunshine and Century Sunshine is therefore deemed to be interested in all the Shares and the Convertible Bonds in which Ming Xin Developments is interested by virtue of the SFO.

- (2) Pursuant to the creditor scheme of arrangement of Century Sunshine which approved at the creditors meeting on 12 May 2023 and sanctioned by the High Court of Hong Kong on 26 July 2023, Century Sunshine has procured the transfer of 79,012,680 Shares held by Ming Xin to a scheme company as an asset payable to its creditors pursuant to the scheme of arrangement. Entitlements to the scheme shares proceeds (after scheme costs) and to exercise voting rights attached to the scheme shares will be allocated to scheme creditors pro rata to their admitted claims. Each scheme creditor may exercise the voting rights in respect of their scheme shares by giving their instructions to the scheme administrators (on behalf of the scheme company) as their authorised proxy. The scheme company will not otherwise exercise any voting rights attached to the scheme shares held by it on behalf of the scheme creditors. There has no single creditor holding share interest of 10% or more.

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, there were no other persons who have an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, each of Mr. Shum Sai Chit, Ms. Chi Sile and Mr. Cheung Sound Poon had the following relationship with Century Sunshine, the substantial Shareholder. Mr. Shum Sai Chit is the legal representative of a subsidiary of Century Sunshine in the PRC. Ms. Chi Sile is a daughter of the chairman of the board of directors of Century Sunshine and Mr. Cheung Sound Poon is also an independent non-executive director of Century Sunshine.

4. LITIGATION

As at the Latest Practicable Date, as far as the Directors are aware, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Shum Sai Chit is also the director of Century Sunshine, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 509). Century Sunshine 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. The Company and Century Sunshine are separate listing entities run by separate and independent management. Mr. Shum Sai Chit cannot personally control the Board and is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, Century Sunshine.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any business or interest that competes or may compete with the business of the Group and had any other conflict of interest with the Group.

7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. To the Company's knowledge and information, none of the Company's Directors is also an employee or director of any substantial shareholder of the Company.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) of the Group have been entered into by the members of the Group during the period commencing two years preceding the Latest Practicable Date and are or may be material:

- (a) an agreement dated 27 September 2021 offered to all scheme creditors between the Company and the consenting creditors which sets out the basis upon which a scheme creditor shall facilitate the implementation of the proposed debt restructuring of the Company;
- (b) the loan agreement dated 16 August 2023 and entered into between the Company and Century Sunshine in relation to the grant of the loan in the principal sum of no less than HK\$10,000,000 at the interest rate of 5.0% per annum; and
- (c) the Underwriting Agreement.

9. EXPERT AND CONSENT

The following are the qualification of the expert who have given opinions, letters or advice contained in this Prospectus:

Name	Qualifications
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been, since 31 December 2022 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM11, Bermuda
Head office and principal place of business in Hong Kong	16th Floor, Tower 5 The Gateway Harbour City Tsim Sha Tsui Kowloon Hong Kong
Authorised representatives	Mr. Shum Sai Chit Mr. Fan Kwok Man, Raymond 16th Floor, Tower 5 The Gateway Harbour City Tsim Sha Tsui, Kowloon Hong Kong
Company secretary	Mr. Fan Kwok Man, Raymond a member of the Hong Kong Institute of Certified Public Accountants

Legal adviser to the Company as to Hong Kong laws	KS Ng Law Office Unit 1205, 12th Floor Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Auditors/reporting accountants of the Company	HLB Hodgson Impey Cheng Limited 31st Floor, Gloucester Tower The Landmark 11 Pedder Street, Central Hong Kong
Underwriter	Raffaello Securities (HK) Limited 1/F, E168, No. 166-168 Des Voeux Road Central Sheung Wan Hong Kong
Principal bankers	China Construction Bank CCB Tower, 3 Connaught Road Central Central Hong Kong
Principal share registrar and transfer office	Ocorian Management (Bermuda) Limited Victoria Place, 5th Floor 31 Victoria Street PO Box HM 1624 Hamilton HM 10 Bermuda
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

11. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the underwriting commission, financial advising fees, printing, registration, translation and legal and accounting fees are estimated to be approximately HK\$1.4 million and are payable by the Company.

12. PARTICULARS OF DIRECTORS**Executive directors*****Mr. SHUM Sai Chit***

Mr. SHUM Sai Chit, age 65, Chairman and Chief Executive Officer of the Group. Prior to joining the Group, Mr. Shum was the Managing Director of Go Modern Limited which was principally engaged in manufacturing of textile products and trading activities. In 1984, Mr. Shum joined Fujian Textiles Import and Export Corporation as a Manager to oversee importing and exporting of textile products. Mr. Shum is a graduate of Consumer Product Pricing and Statistics. Mr. Shum was also an executive director of Century Sunshine Group Holdings Limited (stock code: 509) until 31 July 2021.

Ms. CHI Sile

Ms. CHI Sile, aged 34, was appointed as an executive director of the Company on 1 August 2021. Prior to her appointment, she was the director of investor relations department of Century Sunshine Group Holdings Limited (stock code: 509) and responsible for managing investor relations. Ms. Chi holds a MBA degree from the University of Hong Kong and a double degree of Bachelor of Laws and Bachelor of Arts from the University of Western Australia. Ms. Chi is a member of the Hong Kong Investor Relations Association. Ms. Chi is the daughter of Mr. Chi Wen Fu, the chairman and executive director of Century Sunshine.

Mr. KWONG Ping Man

Mr. KWONG Ping Man, age 58, is a director of O'Park Corporate Services Limited which provides corporate advisory services. Mr. Kwong had served as the chief financial officer of various companies for almost seven years. Mr. Kwong has over 15 years of experience in accounting, finance and administration. He obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University. He is a member of the Australian Society of Certified Practising Accountants, fellow member of the Hong Kong Institute of Certified Public Accountants, and associate member of the Hong Kong Institute of Company Secretaries. Mr. Kwong is currently an independent non-executive director of Tang Palace (China) Holdings Limited (Stock Code: 1181), Landrick Holding Limited (Stock Code: 2132) and Royal Deluxe Holdings Limited (Stock Code: 3789). He was an independent non-executive director of Dragon King Group Holdings Limited (Stock Code: 8493) from 15 December 2017 to 9 April 2021.

Mr. CHEUNG Sound Poon

Mr. CHEUNG Sound Poon, age 62, is currently a senior audit manager at Chui & Kwok (CPA). He was an audit senior at Gary W. K. Yam & Co. (CPA). Mr. Cheung has over 40 years of experience in accounting and auditing. He is currently an independent nonexecutive director of Century Sunshine Group Holdings Limited (stock code: 509).

Mr. LIN Pengxuan

Mr. LIN Pengxuan, aged 39, was the senior compliance manager of Donghai International Financial Holdings Company Limited till 8 August 2022 and prior to that engagement, he has worked as the Compliance Director of Zhongrong PT Securities Limited and Zhongrong PT Finance Limited and the Chief Compliance Officer of Well Link Securities Limited. Mr. Lin has over eight years of working experience in internal control and compliance. Mr. Lin has obtained a Ph.D. in International Finance of Applied Economics from Xiamen University, the Master of Laws from Translational Law and Business University and the Bachelor of Laws from East China University of Politics and Law.

Business address of the Directors

The business address of the Directors is the same as the Company's head office and principal place of business in Hong Kong at 16th Floor, Tower 5, The Gateway Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong.

13. MISCELLANEOUS

The English text of this Prospectus shall prevail over the respective Chinese text in the case of inconsistency.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent as referred to in the paragraph headed "Expert and Consent" in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.remt.com.hk) for 14 days from the date of this Prospectus:

- (a) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in appendix II to this Prospectus;
- (b) the written consents referred to in the paragraph headed "EXPERTS AND CONSENTS" in this appendix; and
- (c) the material contracts, referred in the paragraph headed "MATERIAL CONTRACTS" in this appendix.