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世紀陽光

世紀陽光集團控股有限公司  
CENTURY SUNSHINE GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands  
with limited liability)*  
(Stock Code: 509)

**DISCLOSABLE TRANSACTION  
IN RELATION TO  
GRANT OF CALL OPTION**



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)

**EXEMPTED CONNECTED  
TRANSACTION IN  
RELATION TO NOTE ISSUANCE**

**JOINT SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO GRANT OF CALL OPTION AND NOTE ISSUANCE**

Reference is made to the announcement of Century Sunshine Group Holdings Limited (“CS”) dated 13 December 2019 in relation to the grant of Call Option (the “**First Announcement**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the First Announcement.

This announcement is supplemental to the First Announcement and provides additional information regarding the Call Option Agreement and the issue of the note (the “**Note**”) with an aggregate principal amount of HK\$100,000,000 by Rare Earth Magnesium Technology Group Holdings Limited (“**REMT**”), the indirectly owned subsidiary of CS, to Mega Prime (the “**Note Issuance**”). Details of the Note Issuance is disclosed in the section headed “Note Issuance” below.

**GRANT OF CALL OPTION AND THE DISPOSAL**

Pursuant to the Call Option Agreement, the Grantors agreed to grant to Mega Prime the Call Option at a non-refundable option fee of HK\$2,000,000 (the “**Option Fee**”) relating to the purchase of up to 200,000,000 REMT Shares directly held by Ming Xin, a wholly-owned subsidiary of CS, representing approximately 3.04% of the issued share capital of REMT as at the date of the Call Option Agreement, at an

Exercise Price of HK\$0.35 per REMT Share (representing a maximum Call Price of HK\$70,000,000 for all the Option Shares) during the Option Period on and subject to the terms of the Call Option Agreement. In the event that the Call Option is exercised in full, the aggregate consideration receivable by the Grantors will be HK\$72,000,000 (the “**Consideration**”).

The Option Fee is payable prior to 1 January 2020 pursuant to the Call Option Agreement regardless of whether the Option is exercised and such amount has been received by CS as at the date of this announcement. Under no circumstances would such Option Fee be refundable or be used to offset any portion of the Exercise Price.

If the Call Option is exercised, a binding agreement for the disposal of the Option Shares held by Ming Xin to Mega Prime will be created (the “**Disposal**”).

The Call Option Agreement is unconditional. Details of the terms of the Call Option Agreement have been disclosed in the First Announcement.

### **Consideration**

The aggregate of the (i) the Option Fee, which represents HK\$0.01 per REMT Share; and (ii) the Exercise Price of HK\$0.35 per REMT Share, i.e. HK\$0.36 per REMT Share, represents:

- (i) a premium of approximately 22.03% over the closing price of HK\$0.295 per REMT Share as quoted on the Stock Exchange on 13 December 2019, being the last trading day of REMT Shares immediately prior to the entering into of the Call Option Agreement (the “**Last Trading Day**”);
- (ii) a premium of approximately 23.71% over the average closing price of approximately HK\$0.291 per REMT Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 23.29% over the average closing price of approximately HK\$0.292 per REMT Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Exercise Price of HK\$0.35 per REMT Share represents:

- (i) a premium of approximately 18.64% over the closing price of HK\$0.295 per REMT Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 20.27% over the average closing price of approximately HK\$0.291 per REMT Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 19.86% over the average closing price of approximately HK\$0.292 per REMT Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Consideration was arrived after arm's length negotiations between the Grantors and Mega Prime with reference to the financial position of CS, the historical market price of REMT Shares and the generally low liquidity of REMT Shares in the market, as well as the reasons for and benefits of the issue of the Call Option as set out below.

The average daily trading volume of REMT Shares has been thin in general as the monthly average daily trading volume of the REMT Shares as a percentage of the total number of the REMT Shares in issue ranged from approximately 0.05% to 0.36% (*Source: website of The Stock Exchange*) and as a percentage of the total number of the REMT Shares held by public shareholders ranged from approximately 0.21% to 1.41% (*Source: website of the Stock Exchange*) during the 12-month period ended the date of the Call Option Agreement. In view of the generally low trading volume for the REMT Shares, CS agreed to accept the Option Fee of HK\$2,000,000 for the grant of the Call Option in order to attract investments in the REMT Shares by Mega Prime in return for the Exercise Price at a substantial premium, representing approximately 20% to the average closing price per REMT Share for the last five (5) and ten (10) consecutive trading days up to and including the Last Trading Day.

The board of CS (the "**CS Board**") considers that the Consideration is fair and reasonable and is in the interest of CS and its Shareholders as a whole.

## Cash Settlement Right

As disclosed in the First Announcement, in the event that the VWAP for the last twenty (20) trading days in 2020 (the “**Relevant Period**”) is less than HK\$0.41 per REMT Share, Mega Prime shall have the right (the “**Cash Settlement Right**”) but not an obligation to request CS to settle all or a portion of the Call Option not yet exercised by Mega Prime by cash payment to Mega Prime at the price of HK\$0.06 per Option Share (the “**Cash Settlement Price**”), exercisable on or before 31 January 2021. The Cash Settlement Price of HK\$0.06 per Option Share represents the difference between the VWAP threshold of HK\$0.41 and the Exercise Price of HK\$0.35 per REMT Share.

During the course of negotiations between the Grantors and Mega Prime, Mega Prime requested a compensation or return on its investments in the Call Option should all or a portion of the Call Option not be exercised given the Exercise Price was over the prevailing market prices of REMT Shares (i.e. approximately of HK\$0.06 per REMT Shares (the “**Premium Per Share**”) as compared to the average closing prices of REMT Share for last five (5) and ten (10) consecutive trading days up to and including the Last Trading Day). The Cash Settlement Price was agreed to be equal to the Premium Per Share (i.e. HK\$0.06) and VWAP threshold of HK\$0.41 was established, being the Exercise Price of HK\$0.35 per REMT Share plus the Premium Per Share of HK\$0.06.

The VWAP is the ratio of the value traded to total volume traded over a specified time horizon, which enables investors or potential investors to gain an insight into both the trend and value of the REMT Shares, in particular, REMT Shares have relatively low liquidity in general. The Relevant Period was agreed to be the last twenty (20) days in 2020 on which the Stock Exchange is scheduled to be opened for trading for its regular trading sessions in order to provide a fair and reasonable reflection of the value of REMT Shares based on the whole-year business performance of REMT.

For the avoidance of doubt, the maximum compensation payable by CS in the event that Mega Prime exercises the Cash Settlement Right if the Call Option is not exercised would be HK\$12,000,000 but the maximum net cash outflow (net of the Option Fee received by CS) of CS would be HK\$10,000,000.

## **REASONS FOR AND BENEFITS OF THE ISSUE OF CALL OPTION (INCLUDING THE CASH SETTLEMENT RIGHT)**

REMT and Mega Prime commenced the discussion on the feasibility of the Note Issuance in late October 2019. During the course of negotiation of the Note Issuance, Mega Prime indicated its interests in investing in the securities of REMT and discussed with CS and REMT different equity investments arrangements, including the issue of securities by REMT to Mega Prime and the Call Option.

The issuance of Call Option by CS (including the Cash Settlement Right as discussed in the paragraph headed “Cash Settlement Right” in this announcement) and the Note Issuance by REMT were finally agreed and approved by the CS Board and the REMT Board respectively on 13 December 2019. Both the CS Board and the REMT Board would like to confirm that the size and terms of the Note Issuance by REMT and the issuance of Call Option (including the Cash Settlement Right) by CS are independent to each other.

The CS Board considers that the entering into of the Call Option Agreement with Mega Prime (being the subscriber of the Note) will strengthen the business relationship among CS, REMT and Mega Prime, considering that Mega Prime is a quality and resourceful corporate and that the strong investor profile of Mega Prime will in turn boost the investor confidence in the markets and may bring in additional resources and investment opportunities to both CS and REMT. In addition, on top of being the subscriber of the Note, by obtaining the Call Option, Mega Prime would be a potential shareholder of REMT. Should Mega Prime exercise the Option, it represents an opportunity to raise additional working capital for CS and broaden the shareholder base of REMT, while CS continues to maintain controlling interest in REMT (i.e. at a minimum of 69.27%) and enjoy the benefits from the growth and development of REMT as the controlling shareholder of REMT. The multifaceted investments made by Mega Prime in REMT for being the Optionholder and/or to be made upon its election to exercise the Call Option and the possible introductions of additional resources and investment opportunities to CS and REMT given the background of Mega Prime would be commercially beneficial to both CS and REMT in terms of capital flows and business network.

Although the Cash Settlement Right allows Mega Prime to be compensated even if no actual acquisition of REMT Shares happens, having considered (i) the overall benefits of the transaction as a whole in particular the benefits of strengthening and enhancing the cooperation and the business relationship with Mega Prime (being the subscriber of the Note) as stated above, which outweighed the potential costs upon exercise of the Cash Settlement Right of the maximum net cash outflow of HK\$10,000,000 from the perspective of the Directors of CS; (ii) that the VWAP threshold of HK\$0.41 per REMT Share approximates the conversion price of HK\$0.4 per REMT Share of REMT’s convertible bonds held by CS, which CS considers the

VWAP price is within the reasonable price range of REMT Shares; (iii) the year-over-year growth in REMT's profitability and the favourable market and industry factors, including the growing opportunities of REMT's magnesium business in view of the increasing focus on energy conservation and automobiles lightweighting in the PRC which could bring a positive effect on the performance of REMT and a positive prospect to the market price of the REMT Shares, one of the encouraging factors for Mega Prime to exercise the Call Option instead of the Cash Settlement Right; and (iv) the materiality of maximum net cash outflow of the Cash Settlement Right of HK\$10,000,000, which represents only approximately 1.75% and approximately 0.25% of CS's net profit for the year ended 31 December 2018 and net assets as at 31 December 2018 respectively, the directors of CS are of the view that the grant of the Cash Settlement Right to Mega Prime is commercially justifiable and its benefits outweigh the potential costs of the maximum net cash outflow of HK\$10,000,000.

The CS Board is of the view that the terms of the Call Option Agreement (including the Consideration and the Cash Settlement Right) are fair and reasonable and the entering into of the Call Option Agreement is in the interest of CS and its Shareholders as a whole.

#### **INFORMATION OF MEGA PRIME**

Mega Prime is indirectly wholly-owned by Greater Bay Area Homeland Investments Limited ("**GBA Investments**"). GBA Investments was jointly established by international large-scale industrial institutions, financial institutions and new economic enterprises, including China Resources Group, China Merchants Group, China National Travel Service Group, China Taiping Insurance Group, Bank of China Group Investment, Guangdong Holdings, Sino Group, China Evergrande Group and SenseTime. GBA Investments is set up to grasp the historical opportunities of the development of Guangdong-Hong Kong-Macao Greater Bay Area, and the construction of an International Innovation and Technology Hub, focusing on technological innovation, industrial upgrading, quality of life, smart city and all other related industries.

#### **INFORMATION OF REMT**

REMT is an investment holding company and REMT and its subsidiaries (the "**REMT Group**") is principally engaged in the research and development, production and sales of magnesium alloys. REMT is an indirectly owned as to 72.31% by CS as at the date of this announcement.

Based on the annual report of REMT for the year ended 31 December 2018, the audited profit before taxation and after taxation from continuing operations of the REMT Group for the year ended 31 December 2018 were approximately HK\$267.5



million and HK\$217.7 million respectively (for the year ended 31 December 2017: audited profit before taxation and after taxation from continuing operations were approximately HK\$233.1 million and HK\$177.8 million respectively). Based on the interim report of the REMT Group for the six months ended 30 June 2019, the consolidated net assets of the REMT Group as at 30 June 2019 was approximately HK\$1,361.6 million.

## **FINANCIAL EFFECT OF THE DISPOSAL**

After the Disposal, the shareholding interests of CS in REMT will decrease from 72.31% to the lowest of 69.27% (assuming full exercise of the Call Option and that there is no change in the issued share capital of REMT from the date of this announcement and up to the date of full exercise of the Call Option). Nonetheless, REMT will remain as an indirect non wholly-owned subsidiary of CS and its financial results, assets, liabilities and cash flows will continue to be consolidated in CS's consolidated financial statements. As the Disposal will not result in CS's loss of control over REMT, the Disposal will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in CS's consolidated statement of profit or loss and other comprehensive income.

## **NOTE ISSUANCE**

On 13 December 2019, after trading hours of the Stock Exchange, REMT, an indirect non-wholly owned subsidiary of CS, as issuer and warrantor, and Mega Prime as investor entered into a note purchase agreement (the "**Note Agreement**"), pursuant to which REMT has conditionally agreed to issue to Mega Prime, and Mega Prime has conditionally agreed to subscribe for, the note with an aggregate principal amount of HK\$100,000,000. On the same date, CS as guarantor entered into a deed of corporate guarantee (the "**Corporate Guarantee**") in favour of Mega Prime to guarantee the obligations of REMT under the Note Agreement. Therefore, Mega Prime is a lender to CS's indirect non-wholly owned subsidiary under the Note Agreement and a beneficiary of the Corporate Guarantee.

The Note Agreement was completed on 23 December 2019.

## **LISTING RULES IMPLICATIONS**

### *Call Option Agreement*

The Call Option Agreement constitutes a disclosable transaction to CS and details of the Listing Rules implications have been disclosed in the First Announcement.

*Note Agreement*

REMT is indirectly and directly owned as to approximately 72.31% by CS and Ming Xin respectively as at the date of the Note Agreement and each of CS and Ming Xin is a substantial shareholder of and a connected person to REMT, and accordingly the financial assistance provided by CS to REMT relating to the Corporate Guarantee constitutes a connected transaction to REMT. As the Corporate Guarantee was conducted on normal commercial terms and not secured by the assets of REMT, the Corporate Guarantee is fully exempt from the reporting, announcement, circular and shareholders' approval requirements under Rules 14A.73 and 14A.90 of the Listing Rules with regard to REMT.

As disclosed in the section headed "GRANT OF CALL OPTION AND THE DISPOSAL" above in this announcement, the Call Option Agreement is unconditional. The directors of CS and REMT would like to highlight that completion and performance of the Note Agreement is not conditional on the Call Option Agreement, these two agreements were entered into by CS and REMT as distinct legal entities with Mega Prime, respectively, the CS Board and the board of REMT considered that they were two separate and independent transactions, each of which should have its own implications under the Listing Rules.

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

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

Hong Kong, 23 March 2020

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

*Executive directors* : *Mr. Chi Wen Fu, Mr. Shum Sai Chit and Mr. Chi Jing Chao*  
*Non-executive director* : *Mr. Guo Mengyong*  
*Independent non-executive directors* : *Mr. Cheung Sound Poon, Mr. Sheng Hong and Mr. Lau Chi Kit*

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

*Executive directors* : *Mr. Shum Sai Chit and Mr. Chi Jing Chao*  
*Non-executive directors* : *Professor Meng Jian and Dr. Tam Wai Ho, Samson JP*  
*Independent non-executive directors* : *Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Kwan Ngai Kit*