
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Century Sunshine Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION FOR CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

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



Pelican Financial Limited

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 25 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 54 of this circular.

A notice convening the EGM to be held at Suite 1104, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 18 June 2020 at 4:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the accompanying proxy form to Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page 1 of this circular for measures to be implemented at the EGM to safeguard the health and safety of Shareholders and prevent the spread of the coronavirus (COVID-19) pandemic, including:

- **mandatory body temperature checks and health declarations**
- **wearing of surgical face masks**
- **no distribution of refreshments or corporate gifts**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue or be required to leave the EGM venue. The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights and would like to encourage Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person.

Hong Kong, 26 May 2020

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and prevent the spread of the coronavirus (COVID-19) pandemic, the following measures will be implemented at the EGM:

- Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the EGM venue. Any person with a body temperature above 37.4 degrees Celsius, or is exhibiting flu-like symptoms, may be denied entry into the EGM venue or be required to leave the EGM venue.
- Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times, and maintain a safe distance between seats. Any person who does not comply with this requirement will be required to leave the EGM venue.
- No refreshments will be served at the EGM, and there will be no corporate gifts.

The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights and would like to encourage Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person.

If Shareholders choosing not to attend the EGM in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company via the investor relations manager of the Company as follows:

Suite 1104, 11th Floor, Tower 6, The Gateway
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong
Fax: (852) 2802 2697
E-mail: ir@centurysunshine.com.hk

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, as follows:

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Fax: (852) 2810 8185
E-mail: is-enquiries@hk.tricorglobal.com

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Alpha Sino”	Alpha Sino International Limited, a company held by Mr. Chi as to 83.74% as at the Latest Practicable Date
“Announcement”	the announcement of the Company dated 18 April 2020 in relation to, among other things, the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for business
“Company”	Century Sunshine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 509)
“Completion”	completion of the Subscription in accordance with the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Price”	HK\$0.1875 per Conversion Share, subject to adjustments set forth under the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the new Shares to be allotted and issued by the Company upon the exercise of the conversion right under the Convertible Bonds
“Convertible Bond(s)”	the 8% unsecured convertible bonds in the aggregate principal amount of HK\$300,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) and the Whitewash Waiver

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board established pursuant to the Takeovers Code and the Listing Rules to give recommendations to the Independent Shareholders in respect of (i) the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver under the Takeovers Code; and (ii) the connected transaction regarding the Subscription (including the grant of the Specific Mandate) under the Listing Rules
“Independent Financial Adviser”	Pelican Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than the Subscriber and parties acting in concert with it and their respective associates and those who are involved in or interested in the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver and those who are required under the Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the EGM. As at the Latest Practicable Date, save for the Subscriber and parties acting in concert with it and their respective associates, no other Shareholder was involved in or interested in the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver and is required to abstain from voting in respect of the resolution(s) to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver at the EGM
“Last Trading Day”	17 April 2020, being the last trading day for the Shares on the Stock Exchange prior to the date of the Announcement
“Latest Practicable Date”	22 May 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2020 or such other date as the Company and the Subscriber may agree from time to time in writing
“Material Adverse Change”	any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on the ability of the Company and/or any member of the Group to perform its respective obligations under the Subscription Agreement or to complete the Subscription and the transactions contemplated under the Subscription Agreement
“Mr. Chi”	Mr. Chi Wen Fu, a controlling Shareholder, the chairman of the Board and an executive Director
“Option(s)”	share option(s) granted or to be granted by the Board under the share option scheme of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Period”	the period commencing six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date
“REMT”	Rare Earth Magnesium Technology Group Holdings Limited, a company incorporated in Bermuda with limited liability and a subsidiary owned as to 72.31% by the Company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 601)
“REMT Group”	REMT and its subsidiaries
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM to allot and issue the Conversion Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Century Sunshine Group Investment Company Limited, a limited liability company incorporated in the British Virgin Islands and wholly-owned by Mr. Chi
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 18 April 2020 entered into between the Company and the Subscriber in relation to the Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Subscriber/Mr. Chi to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it which would, if the Subscription proceeds, otherwise arise as a result of the allotment and issue of the Conversion Shares to the Subscriber
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



世纪阳光

世紀陽光集團控股有限公司

CENTURY SUNSHINE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 509)

Executive Directors:

Mr. Chi Wen Fu
Mr. Shum Sai Chit
Mr. Chi Jing Chao

Non-executive Director:

Mr. Guo Mengyong

Independent non-executive Directors:

Mr. Cheung Sound Poon
Mr. Sheng Hong
Mr. Lau Chi Kit

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal Place of Business
in Hong Kong:*

Suite 1104, 11th Floor
Tower 6, The Gateway
9 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

26 May 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
SUBSCRIPTION FOR CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE;**

AND

(2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver; (iv) a property valuation report of the Group; (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules and the Takeovers Code.

THE SUBSCRIPTION AGREEMENT

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

The principal terms of the Subscription Agreement are summarised below.

Date: 18 April 2020

Parties: (i) China Century Sunshine Group Investment Company Limited (as Subscriber); and

(ii) the Company (as issuer).

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

Subscription

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

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

LETTER FROM THE BOARD

Conditions of the Subscription

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

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

LETTER FROM THE BOARD

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

For the condition set out in paragraph 7 above, the Board was not aware of any of such consents being required as at the Latest Practicable Date.

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

Completion of the Subscription

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

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

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

Issuer:	The Company
Principal amount:	HK\$300,000,000
Denomination:	HK\$30,000,000 each
Maturity date:	The second anniversary of the date of issue of the Convertible Bonds (i.e. date of Completion of the Subscription Agreement) (the “ Maturity Date ”)
Interest rate:	8% per annum on the outstanding amount payable monthly
Conversion Price:	The Conversion Price will initially be HK\$0.1875 per Conversion Share.
Adjustment events:	The initial Conversion Price is subject to customary adjustment upon occurrence of, among other things, any of the following events: (i) consolidation, subdivision or reclassification of Shares; (ii) capitalisation of profits or reserves;

LETTER FROM THE BOARD

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

Details of the adjustment events under the terms and conditions of the Convertible Bonds are set out in Appendix IV to this circular.

Conversion Shares:

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

Conversion rights:

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

LETTER FROM THE BOARD

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

Conversion period:

The period commencing from the first anniversary of the date of issue of the Convertible Bonds and ending on the Maturity Date (the “**Conversion Period**”).

Early redemption at the
option of the Company:

At any time during the period commencing on the first anniversary of the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Company may redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with interest accrued.

Early redemption at the
option of the Bondholder:

At any time during the period commencing on the first anniversary of the date of issue of the Convertible Bonds to the date immediately prior to the Maturity Date, the Bondholder shall have the right to request the Company, subject to the consent of the Company, to redeem the whole or part of the outstanding Convertible Bonds at the redemption amount which shall equal to 100% of the principal amount of the outstanding Convertible Bonds to be redeemed together with all interest accrued.

LETTER FROM THE BOARD

Redemption on maturity:	Unless previously redeemed or converted, the Company shall redeem the Convertible Bonds on the Maturity Date at the redemption amount which shall equal to 100% of the principal amount thereof outstanding, together with interest accrued thereon (and not yet paid) up to (but excluding) the Maturity Date.
Status:	The Convertible Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Company, and rank pari passu among themselves and at least pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.
Transferability:	The Convertible Bonds may be transferred at any time, subject to compliance with all applicable regulatory requirements (if any).
Ranking of the Conversion Shares:	The Conversion Shares shall rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of such Conversion Shares.
Voting rights:	Bondholders will not be entitled to attend or vote at any general meetings of the Company by reason of being Bondholders.
Listing:	The Convertible Bonds are not and will not be listed on any stock exchange. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares falling to be issued upon conversion of the Convertible Bonds.

THE CONVERSION PRICE

The initial Conversion Price of HK\$0.1875 per Conversion Share represents:

- (i) a premium of approximately 28.42% over the closing price of HK\$0.146 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 18.67% over the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 18.82% over the average closing price of HK\$0.1578 per Share as quoted on the Stock Exchange for the 5 consecutive trading days of the Shares up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a premium of approximately 18.52 % over the average closing price of HK\$0.1582 per Share as quoted on the Stock Exchange for the 10 consecutive trading days of the Shares up to and including the Last Trading Day;
- (v) a premium of approximately 11.94% over the average closing price of HK\$0.1675 per Share as quoted on the Stock Exchange for the 30 consecutive trading days of the Shares up to and including the Last Trading Day;
- (vi) a premium of approximately 0.21 % over the average closing price of HK\$0.1871 per Share as quoted on the Stock Exchange for the 60 consecutive trading days of the Shares up to and including the Last Trading Day; and
- (vii) a discount of approximately 77.57% to the audited net assets value per Share attributable to equity holders of the Company of approximately HK\$0.8358 based on the latest audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2019 and the number of Shares in issue as at the Latest Practicable Date (“**NAV per Share**”).

The Conversion Price was determined after arm’s length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares and the market conditions at the time of entry into the Subscription Agreement.

The Directors noted the Shares have been traded at a general downward trend during the period from January 2020 up to and including the Last Trading Day (the “**Period**”) due to the recent volatility and market downturn of the global economy, in particular Hong Kong and China, as well as concerns over the COVID-19 pandemic in the Hong Kong stock market since January 2020. The highest and lowest closing prices of the Shares were HK\$0.228 on 20 January 2020 and HK\$0.151 on 18 March 2020 and 19 March 2020 respectively during the Period and the Conversion Price represents a discount of approximately 17.76% and a premium of approximately 24.17% to/over the highest and lowest closing price of the Shares respectively during the Period. The Conversion Price represents a slight discount of approximately 2.90% to the average closing price of HK\$0.1931 per Share during the Period.

The Directors also noted that the Conversion Price represents a discount of approximately 77.57% to the NAV per Share. However, considering the Shares had been consistently traded at a substantial discount to the net assets value per Share for the past three financial years calculated based on the audited net asset value attributable to Shareholders for the years ended 31 December 2017, 2018 and 2019 and the weighted average number of Shares in issue in the respective years (ranging from a minimum discount of approximately 49.17% to a maximum discount of approximately 78.22%), both the Subscriber and the Company considered that the prevailing market price of the Shares would be a more appropriate reference, instead of the NAV per Share.

In view of the above, the Directors consider that the Conversion Price, which was set at a premium of approximately 19% over the prevailing market prices of the Shares at the time of entry into the Subscription Agreement (i.e. average closing prices of the Shares for the last 5 and 10 consecutive trading days of the Shares up to and including the Last Trading Day) and approximated the average closing price of the Shares during the Period, reflected the fair market value of the Shares traded on the Stock Exchange and was an appropriate benchmark to reflect the prevailing market conditions and recent market sentiment.

LETTER FROM THE BOARD

SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES

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

INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTION

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

Based on the consolidated management accounts of the Group (excluding REMT Group) for the year ended 31 December 2019 and as disclosed in the annual report of the Company (the “**2019 Annual Report**”) and REMT for the year ended 31 December 2019, as at 31 December 2019, (i) the cash and bank balances of the Group (excluding REMT Group) were approximately HK\$561 million, the majority of which were denominated in RMB and deposited in the PRC to meet its working capital requirement in the PRC; (ii) the aggregate amount of total borrowings, including bank borrowings, term notes, exchangeable bonds and other third-party borrowings of the Group (excluding REMT Group) were approximately HK\$1,693 million, of which approximately HK\$794 million were unsecured offshore borrowings subject to repayment or refinancing during the period between June 2020 and December 2020 and the weighted average interest rates of these unsecured offshore borrowings are approximately 7.6% per annum; and (iii) the Group (excluding REMT Group) had outstanding capital commitments of approximately HK\$120 million for the ongoing construction projects, including the construction of ancillary facilities for Phase I of the Group’s production base in Jiangxi, the PRC and the upgrade work on a production line of the Group’s Jiangsu factory to increase the capacity from 150,000 tonnes per annum to 200,000 tonnes per annum for the Group’s fertiliser business in the PRC due before December 2020 (the “**Capital Expenditures**”).

It is expected that the net proceeds from the Subscription of (i) approximately HK\$230 million (representing approximately 78.77% of the net proceeds) will be utilised for partial refinancing of the Group’s unsecured offshore borrowings (including accrued interest) from independent third parties to a lower interest rate (i.e. from approximately 9.1% per annum to 8% per annum). As a result, the weighted average interest rate of the Group’s unsecured offshore borrowings would be reduced from approximately 7.6% per annum to approximately 7.3% per annum after the issue of the Convertible Bonds and the repayment of the relevant borrowings and therefore is expected to put the Company in a better position when negotiating terms of financing with potential investors and financial institutions; (ii) approximately HK\$32 million (representing approximately 10.96% of the net proceeds) will be applied for the settlement of the Capital Expenditures; and (iii) approximately HK\$30 million (representing approximately 10.27% of the net proceeds) will be utilised for the general working capital for the payment of loan interests of the unsecured offshore borrowings as well as salary, office rental and other administrative expenses of the Group’s operations in Hong Kong in the next twelve months upon Completion.

As mentioned in the section headed “Reasons for and benefits of the Subscription” below, the financing opportunities of the Group have been adversely affected by recent market conditions and the ongoing COVID-19 pandemic and the Subscription will bolster the Group’s liquidity to address the near-term debt maturities with better financing terms and therefore is expected to put the Company

LETTER FROM THE BOARD

in a better position when negotiating terms for other financing needs of the Group. In respect of the remaining Capital Expenditures due before December 2020, the Company is reviewing the progress of its capacity expansion plan and may adjust the capital expenditures level in light of the economic uncertainty due to the COVID-19 pandemic.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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

China has put in place a policy environment which is conducive for the development of green agriculture to encourage transformation of its agri-food systems towards a more sustainable development path. As disclosed in the 2019 Annual Report, in October 2019, the National Development and Reform Commission of the PRC revised and issued the "Catalogue for the Guidance of Industrial Structure Adjustment (2019 Version)" (《產業結構調整指導目錄(2019年本)》), in which the "development and application of organic fertiliser industrialisation technology" were included in the class of agriculture product to be promoted. In addition, the Ministry of Agriculture of the PRC increased the number of demonstration counties that are qualified for government subsidies of RMB10 million per county from 100 to 175 in 2019 to encourage farmers to use organic fertiliser. It is also expected that the proportion of green ecological fertiliser application to total fertiliser application will increase from the current 10% to 30% in the future, providing a broad market space for the sustainable development of the Group's green ecological fertiliser business. The Company is of the view that its continuing investments in the green ecological fertiliser business will continue to grow, thereby bringing a positive and satisfactory economic return to the Company and its Shareholders as a whole.

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

LETTER FROM THE BOARD

The Board has also considered other means of fundraising such as commercial debt financings (including bank borrowings), placing of new shares, rights issue or open offer. The management of the Company has continuously exhausted various alternatives during the past few months but the recent instability of the local and global financial markets negatively affects the financing opportunities of the Company. As in the past, debt financings, and in particular bank borrowings, continue to play a key role in supporting the ongoing operating working capital for the Group. However, the Board considers that it might be uncertain and time consuming to rely solely on bank borrowings given the current financial market conditions in Hong Kong and the PRC. The Company has approached several banks and financial institutions in the first quarter of 2020 (and some of them are in ongoing discussions) for the refinancing of the Group's unsecured offshore borrowings. In addition to lengthy due diligence exercises, the indicative interest rates quoted by the financial institutions for the commercial debt financings are in the mid-10% to upper 10% range, which are substantially higher than the weighted average interest rate of the Group's existing unsecured offshore borrowings due to the adverse market conditions. Furthermore, the Company is in ongoing discussions with financial institutions for the refinancing of the listed term notes of the Company with a face value of SGD101.75 million (equivalent to approximately HK\$559.63 million) and a coupon rate of 7.0% and the Company noted that the interest rates for US dollar denominated debts issued by companies in the Greater China Region with similar credit ratings in March 2020 and April 2020 ranged from 11.00% to 12.75% (Source: Bloomberg). As such, the Board considered that it will be difficult for the Company to obtain debt financings of such magnitude at the relevant time on acceptable terms.

Equity fundraisings may require a discount on issue price to the prevailing market price of the Shares given (i) the recent market volatility and poor market conditions; and (ii) the trading volume of the Shares has been thin in general (i.e. the monthly average daily trading volume of the Shares as a percentage of the total number of the Shares in issue during the 12-month period ended the Last Trading Day ranging from approximately 0.01% to 0.13% and as a percentage of the number of the Shares held by public Shareholders as at the Latest Practicable Date ranging from approximately 0.02% to 0.20%). In addition, if the Company is to raise funds by way of placing, placing agent commissions and additional costs will need to be incurred. Based on the Company's review of transactions involving placing of securities (i.e. shares and convertible bonds) of listed companies in Hong Kong for the past six months ended the Last Trading Day, the placing commission rates of these transactions ranged from 0.25% to 10% with an average of approximately 2.5%. As such, the Board did not pursue securities placing as it was considered to be less favourable to the Shareholders taking into account the additional costs and unfavourable pricing.

A rights issue or open offer would cause the Company to incur more transaction costs, including but not limited to additional costs for the preparation of the listing documents, and such corporate exercises would be relatively more time consuming (approximately an additional 30 days to complete the fundraising exercise) which may result in the Company being subject to the adverse effects of the current volatile market, thereby increasing uncertainty in being able to raise funds in time (which would depend on market conditions and acceptance level of the Shareholders) and may affect the overall business plan of the Group.

LETTER FROM THE BOARD

The Company and Mr. Chi, the chairman of the Board, executive Director and controlling Shareholder, have discussed the possibility of provision of shareholder's financing by Mr. Chi as an alternative means of financing to the Group subject to Mr. Chi being able to obtain personal financing. Mr. Chi informed the Company in mid-March 2020 that he managed to arrange personal financing so as to provide financing to the Group. After arms' length negotiation with Mr. Chi and careful consideration of the terms of the financing options currently available to the Company and the recent market conditions, the Company and Mr. Chi considered to proceed with shareholder's financing by way of subscription of unsecured convertible bonds to be issued by the Company. Given the Company's blackout period commenced on 18 January 2020, the parties worked towards finalising the terms of the Subscription and entering into the Subscription Agreement as soon as possible after the Company published its audited annual results for the year ended 31 December 2019.

In view of the above, the Directors considered that the Subscription to be a more preferable financing option for the Group.

The Directors noted that the shareholding interests of the public Shareholders would be diluted by approximately 16.48 percentage point (assuming the Convertible Bonds having been fully converted at the Initial Conversion Price and there being no other change to the issued share capital of the Company). Having considered that (i) the Subscription is an appropriate means of fundraising for the Company and the reasons for and benefits of the Subscription as set out above; and (ii) the terms of the Subscription Agreement are fair and reasonable, the Directors are of the view that the said level of dilution to the shareholding interests of the public Shareholders is acceptable.

The Board (including the members of the Independent Board Committee whose opinion is set forth in the Letter from the Independent Board Committee in this circular after considering the advice of the Independent Financial Adviser) considers the Subscription Agreement to be on normal commercial terms and the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY

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

INFORMATION ON THE SUBSCRIBER

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

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS FROM THE LATEST PRACTICABLE DATE

The Company had not carried out any equity fundraising activities in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below depicts the shareholding structure of the Company as at the Latest Practicable Date and immediately after full conversion of the Convertible Bonds at the initial Conversion Price, the earliest of which will be the first anniversary of the date of issue of the Convertible Bonds (assuming there being no other change to the issued share capital of the Company):

	As at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Chi and the Subscriber (Note 1)	1,591,841,912	34.75%	3,191,841,912	51.64%
Mr. Chi's family (Note 2)	50,092,985	1.09%	50,092,985	0.81%
Directors				
Mr. Shum Sai Chit (Note 3)	14,666,305	0.32%	14,666,305	0.24%
Mr. Chi Jing Chao (Note 4)	1,633,998	0.04%	1,633,998	0.03%
Mr. Guo Mengyong (Note 5)	2,625,000	0.06%	2,625,000	0.04%
	18,925,303	0.42%	18,925,303	0.31%
Sub-total of the Subscriber and parties acting in concert with it	1,660,860,200	36.26%	3,260,860,200	52.76%
Other Directors				
Mr. Sheng Hong	1,775,000	0.04%	1,775,000	0.03%
Mr. Lau Chi Kit	2,000,000	0.04%	2,000,000	0.03%
	3,775,000	0.08%	3,775,000	0.06%
Public Shareholders	<u>2,916,481,643</u>	<u>63.66%</u>	<u>2,916,481,643</u>	<u>47.18%</u>
Total	<u><u>4,581,116,843</u></u>	<u><u>100.0%</u></u>	<u><u>6,181,116,843</u></u>	<u><u>100.0%</u></u>

Notes:

- The Subscriber is wholly-owned by Mr. Chi and it did not own or have control or direction over any Shares as at the Latest Practicable Date. Mr. Chi personally owned 249,970,548 Shares (representing approximately 5.46% of the total number of issued Shares as at the Latest Practicable Date) and he was deemed to be interested in the 1,341,871,364 Shares (representing approximately 29.29% of the total number of issued Shares as at the Latest Practicable Date) held by Alpha Sino by virtue of Mr. Chi's holding of approximately 83.74% of the issued share capital of Alpha Sino. Alpha Sino is owned as to approximately 83.74% by Mr. Chi, as to approximately 6.26% by Mr. Shum Sai Chit and as to 10% by Bande Investment Company Limited, a company wholly-owned by Mr. Chi's siblings.

LETTER FROM THE BOARD

Mr. Chi and Alpha Sino, as chargors, charged 249,970,548 Shares and 792,591,364 Shares (together, the “**Charged Shares**”), respectively, (representing approximately 5.46% and 17.30 % of the issued share capital of the Company as at the Latest Practicable Date, respectively) to Mr. Lo, Kai Ming Charles (“**Mr. Lo**”) and Ms. Lee, Wai Yin Angela (“**Ms. Lee**”), as joint chargees (together, the “**Share Charges**”) on 18 April 2020. As at the Latest Practicable Date, Mr. Lo and Ms. Lee, being presumed class (9) concert parties with the Subscriber, did not own any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company nor had they dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period. Please refer to pages III-10 and III-11 of Appendix III to this circular for further details on the Share Charges and the concert party relationship between the Subscriber and Mr. Lo and Ms. Lee.

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

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

7. Save as the aforesaid, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.
8. Save as disclosed above, none of the Directors had any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

As shown in the above table, the shareholding in the Company held by the public Shareholders will be diluted from approximately 63.66% to approximately 47.18% upon full conversion of the Convertible Bonds by the Subscriber at the initial Conversion Price and assuming there is no change to the issued share capital of the Company and the shareholding in the Company other than the issue of the Conversion Shares.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

The Subscriber intends to continue the existing business of the Group and there will be no change to the continued employment of the employees of the Group. The Subscriber has no intention to introduce any major changes to the existing operation and businesses of the Group including redeployment of any fixed assets of the Group other than in the ordinary course of business. As at the Latest Practicable Date, the Subscriber did not have any plan or intention to convert any part of the Convertible Bonds into Conversion Shares upon Completion.

The Subscriber shares the view of the Board as disclosed in the paragraph headed “Reasons for and benefits of the Subscription” above, in which it is mentioned that the Subscription will strengthen the quality of the Group’s financial resources, supplement its working capital, and ensure the Group’s continued and stable development in the future.

LISTING RULES IMPLICATIONS

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

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

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

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

LETTER FROM THE BOARD

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

Shareholders and public investors should note that if the Subscription proceeds and immediately upon the allotment and issue of the Conversion Shares, the potential holding of voting rights of the Company held by the Subscriber and parties acting in concert with it may exceed 50% of the voting rights of the Company and that the Subscriber and parties acting in concert with it may increase their holding of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer in respect of all other Shares.

As detailed in the section headed “Principal Terms of the Convertible Bonds” in the Letter from the Board of this circular, the conversion right under the Convertible Bonds shall only be exercisable provided that any such conversion, among others, does not trigger any general offer obligation in respect of the shares of REMT, where applicable, pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code in the event statutory control (as defined in Note 8 to Rule 26.1 of the Takeovers Code) of the Company being acquired by the Bondholder or person(s) acting in concert with such Bondholder upon exercising of its conversion right under the Convertible Bonds, unless such Bondholder or person(s) acting in concert with such Bondholder complies with the general offer obligation(s) under Rule 26 of the Takeovers Code. The Subscriber has confirmed to the Company that if, as a result of the issue of the relevant Conversion Shares, a general offer obligation will be triggered on the part of the Subscriber or person(s) acting in concert with it for the shares of REMT pursuant to the chain principle under Note 8 to Rule 26.1 of the Takeovers Code in the event statutory control (as defined in Note 8 to Rule 26.1 of the Takeovers Code) of the Company being acquired by the Subscriber or person(s) acting in concert with it, the Subscriber and parties acting in concert with it will comply with the general offer obligation under Rule 26 of the Takeovers Code. In such scenario, the Company may potentially be a party acting in concert with the Subscriber for the purpose of the general offer in respect of the shares of REMT. As at the Latest Practicable Date, the Company (i) held 4,761,117,434 shares of REMT (representing approximately 72.31% of the issued share capital of REMT) and a convertible bond (the “**REMT Convertible Bond**”) convertible into 1,050,000,000 shares of REMT (representing approximately 15.95% of the issued share capital of REMT as at the Latest Practicable Date); and (ii) had granted to an independent third party (the “**Optionholder**”) a call option to acquire up to 200,000,000 shares of REMT (representing approximately 3.04% of the issued share capital of REMT as at the Latest Practicable Date) from the Company (the “**Call Option**”). For illustration purpose, assuming (i) only the REMT Convertible Bond is converted in full by the Company; and (ii) the REMT Convertible Bond and the Call Option are converted/exercised in full by the Company and the Optionholder respectively, the Company would be interested in approximately 76.12% and 73.50% of the issued share capital of REMT (as enlarged by the issue and allotment of 1,050,000,000 shares of REMT upon full conversion of the REMT Convertible Bond) respectively. As at the Latest Practicable Date, save for the 30,000,000, 20,000,000 and 3,000,000 share options of REMT held by Mr. Shum Sai Chit, Ms. Chi Bi Fen (elder sister of Mr. Chi) and Mr. Chi Jing Chao respectively, the Subscriber and party(ies) acting in concert with it did not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of REMT (other than those held through the Company).

LETTER FROM THE BOARD

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

Each of the Subscriber and the parties acting in concert with it has confirmed that, as at the Latest Practicable Date:

- (i) save as disclosed in the section headed “Effect on the Shareholding Structure of the Company” in the Letter from the Board in this circular, the Subscriber, the Subscriber’s director and parties acting in concert with the Subscriber did not hold, own, have control or direction over any other voting rights, rights over Shares, any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of the securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (ii) save for the issuance contemplated under the Subscription Agreement, none of the Subscriber, the Subscriber’s director or any parties acting in concert with the Subscriber had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the Relevant Period but subsequent to negotiations, discussions or the reaching of understandings or agreement with the Directors in relation to the Subscription Agreement, the grant of the Specific Mandate and the Whitewash Waiver;
- (iii) none of the Subscriber or parties acting in concert with it had received any irrevocable commitment to vote for or against the resolution(s) to be proposed at the EGM to approve the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (iv) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) that had been entered into in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company between the Subscriber and/or parties acting in concert with the Subscriber on the one hand and any person on the other hand and which might be material to the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (v) save for the Subscription Agreement, there was no agreement or arrangement to which the Subscriber or any parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (vi) none of the Subscriber or parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

LETTER FROM THE BOARD

- (vii) apart from the consideration payable to the Company for the subscription of the Convertible Bonds pursuant to the Subscription Agreement, there was no other consideration, compensation or benefit in whatever form that has been or will be paid by the Subscriber or parties acting in concert with it to the Company in connection with the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver;
- (viii) apart from the Subscription Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber or parties acting in concert with it on one hand and the Company on the other hand; and
- (ix) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholders; and (a) the Subscriber or parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

GENERAL

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

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

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

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

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

LETTER FROM THE BOARD

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

EGM

A notice convening the EGM to be held at Suite 1104, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 18 June 2020 at 4:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM, you are requested to complete and return the accompanying proxy form to Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish, and, in such event, the proxy form shall be deemed to be revoked.

The resolution(s) proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter. Under the Takeovers Code, the resolutions relating to the Whitewash Waiver and the Subscription (including the grant of the Specific Mandate) shall be approved by at least 75% and more than 50%, respectively, of the votes that are cast either in person or by proxy by the Independent Shareholders at the EGM.

RECOMMENDATIONS

Pursuant to the articles of association of the Company, as Mr. Chi had a material interest in the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver, he has abstained from voting on the relevant board resolutions of the Company. Save for Mr. Chi, none of the other Directors had a material interest in the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver which required them to abstain from voting on the relevant board resolutions of the Company.

The Board (including the members of the Independent Board Committee after taking into account the advice of the Independent Financial Adviser as to the fairness and reasonableness of the terms of the Subscription, the Specific Mandate and the Whitewash Waiver) considers that the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

You are advised to carefully read the Letter from the Independent Board Committee on pages 26 to 27 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 28 to 54 of this circular, considers that the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver are fair

LETTER FROM THE BOARD

and reasonable insofar as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Century Sunshine Group Holdings Limited
Chi Wen Fu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver.



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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)

26 May 2020

To the Independent Shareholders

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

Dear Sir or Madam,

We refer to the circular of the Company dated 26 May 2020 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to (i) whether the terms of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; and (ii) whether to recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser, the details of which (including the principal factors and reasons the Independent Financial Adviser has taken into consideration) are set out on pages 28 to 54 of the Circular; and (ii) the letter from the Board as set out on pages 6 to 25 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Subscription Agreement (including the grant of the Specific Mandate) and the Whitewash Waiver and the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Cheung Sound Poon
*Independent non-executive
Director*

Mr. Sheng Hong
*Independent non-executive
Director*

Mr. Lau Chi Kit
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

26 May 2020

*To the Independent Board Committee and the Independent Shareholders of
Century Sunshine Group Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION FOR CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 26 May 2020 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement and the Board Letter that, on 18 April 2020, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$300 million, which may be converted into 1,600,000,000 Conversion Shares based on the initial Conversion Price of HK\$0.1875 per Conversion Share upon full conversion, for a cash consideration of HK\$300 million. The Convertible Bonds bear an interest rate of 8% per annum on the outstanding amount and mature on the date falling on the second anniversary of the date of issue.

The Conversion Shares shall rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of such Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM. No application will be made by the Company for the listing of the Convertible Bonds, but the Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares falling to be issued upon conversion of the Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

As at the Latest Practicable Date, the Subscriber (a company wholly-owned by Mr. Chi) and parties acting in concert with it are interested in 1,660,860,200 Shares, representing approximately 36.25% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming that there are no other changes in the issued share capital of the Company, the Subscriber and persons acting in concert with it will be interested in approximately 52.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares, which will trigger an obligation on the Subscriber/Mr. Chi to make a mandatory general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code. Mr. Chi has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the Conversion Shares to the Subscriber pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% and more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver and the Subscription (including the grant of the Specific Mandate) respectively at the EGM.

The Board currently comprises three executive Directors and three independent non-executive Directors. The Independent Board Committee, which currently comprises all the independent non-executive Directors, Mr. Cheung Sound Poon, Mr. Sheng Hong and Mr. Lau Chi Kit, has been established to advise the Independent Shareholders as to the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

We are not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates and also there is no relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence to act as independent financial adviser to the Company and therefore we considered that we are suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company or any of their respective associates that could reasonably be regarded as relevant to our independence.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; (iii) whether the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Subscription Agreement (including the grant of the Specific Mandate) and the Whitewash Waiver at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions. Our procedures include, among other things, review of relevant agreements, documents as well as information provided by the Company and verification of such information, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Subscription Agreement, the annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”), the Announcement and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

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

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group, the Subscriber or their respective subsidiaries or associated companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the terms of the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Background information of the Group and the Subscriber

(a) *The Group*

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

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2019 as extracted from the 2019 Annual Report.

	For the financial year ended 31 December	
	2019	2018
	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue</i>		
— Fertiliser business	2,735,195	3,053,183
— Magnesium product business	1,515,291	1,537,781
— Metallurgical flux business	63,934	64,152
Total Revenue	4,314,420	4,655,116
Gross profit	1,063,384	1,142,259
Profit for the year	428,254	572,837

According to the 2019 Annual Report, for the year ended 31 December 2019, the Group recorded a revenue of approximately HK\$4,314.4 million as compared to approximately HK\$4,655.1 million for the year ended 31 December 2018, representing a decrease of approximately 7.3%. Such drop in revenue was mainly attributable to the decrease in the revenue from the Group's fertiliser business by approximately 10.4% between the two years, as a result of the implementation of "Relocation of Industries from City Urban Area to Industrial Parks" by Shandong Hongri production base which had led to the decrease in the Group's production volume of fertiliser products by approximately 15.1%. As shown in the above table, the Group's fertiliser business had contributed over 60% of its total revenue for the two years ended 31 December 2019, hence the drop in revenue from this segment had a major impact on the Group's financial performance.

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Meanwhile, the Group recorded gross profit of approximately HK\$1,063.4 million for the year ended 31 December 2019, representing a decrease of approximately 6.9% compared to that of approximately HK\$1,142.3 million in 2018, mainly as a result of the decrease in the Group's revenue as discussed above. For the same reason, for the two years ended 31 December 2019, the Group's profit for the year decreased from approximately HK\$572.8 million to approximately HK\$428.3 million, representing a decrease of approximately 25.2%.

The consolidated assets and liabilities of the Group as at 31 December 2019 as extracted from the 2019 Annual Report, are summarized as follows:

	As at 31 December 2019	As at 31 December 2018
	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets		
— non-current assets	5,137,168	5,068,708
— current assets	2,490,397	2,405,859
 Total liabilities		
— non-current liabilities	992,832	1,224,047
— current liabilities	2,364,822	2,293,902
 Net current assets	 125,575	 111,957
 Net assets	 4,269,911	 3,956,618

As at 31 December 2019, the non-current assets of the Group amounted to approximately HK\$5,137.2 million, which mainly consisted of property, plant and equipment in the amount of approximately HK\$3,866.1 million. The current assets of the Group as at 31 December 2019 amounted to approximately HK\$2,490.4 million, which mainly included bank and cash balances of approximately HK\$823.1 million, as well as prepayments, deposits and other receivables of approximately HK\$634.4 million. As at 31 December 2019, the current liabilities of the Group amounted to approximately HK\$2,364.8 million, which mainly consisted of borrowings (with terms within one year) of approximately HK\$1,524.2 million, while the non-current liabilities of the Group amounted to approximately HK\$992.8 million, which mainly consisted of borrowings (with terms more than one year but not exceeding five years) of approximately HK\$536.1 million. The net assets of the Group was approximately HK\$4,269.9 million as at 31 December 2019, which was higher than that of approximately HK\$3,956.6 million as at 31 December 2018 by approximately 7.9%.

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(b) The Subscriber

The Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Chi, its sole director. As at the Latest Practicable Date, the Subscriber (a company wholly-owned by Mr. Chi) and parties acting in concert with it are interested in 1,660,860,200 Shares, representing approximately 36.25% of the issued share capital of the Company.

2. Equity fund raising activities in the past twelve months from the date of the Latest Practicable Date

The Company had not carried out any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

3. Reasons for and benefits of the Subscription and the use of proceeds

According to the Board Letter and our discussion with the Company, although the bank and cash balances of the Group as at 31 December 2019 amounted to approximately HK\$823.1 million as stated in the 2019 Annual Report, the cash and bank balances of the Group, after excluding those of REMT Group, only amounted to approximately HK\$561 million, with a majority of which being denominated in RMB and deposited in the PRC to meet its working capital requirement in the PRC. Meanwhile, (i) approximately HK\$794 million of the Group's total borrowings (excluding those of REMT Group) were unsecured offshore borrowings which are subject to repayment or refinancing during the period between June 2020 and December 2020, and (ii) the Group (excluding REMT Group) had outstanding capital commitments of approximately HK\$120 million for the ongoing construction projects, including the construction of ancillary facilities for Phase I of the Group's production base in Jiangxi, the PRC and the upgrade work on a production line of the Group's Jiangsu factory to increase the capacity from 150,000 tonnes per annum to 200,000 tonnes per annum, for the Group's fertiliser business in the PRC due before December 2020 (the "**Capital Expenditures**"). According to the 2019 Annual Report, Shandong Hongri Chemical Joint Stock Company Limited, a subsidiary of the Company, implemented the "Relocation of Industries from City Urban Area to Industrial Parks" under the requirement of the policy from Shandong Provincial Government in 2019, which had resulted in the Group's production being gradually transferred to the aforementioned Jiangxi and Jiangsu production bases. As discussed with the Directors, major construction works of Phase I of the Group's production base in Jiangxi had already been completed and the ongoing construction projects mostly regard the upgrade work on a production line of the Group's Jiangsu factory and hence they do not have an absolute completion date. Meanwhile, the Directors are of the view that, despite these construction projects are mostly for upgrade purposes, they would improve the Group's competitiveness in the industry and enable it to capture market opportunities when they arise with its strengthened production capacity.

As stated in the Board Letter, China has put in place a supportive policy environment which is conducive for the development of the green agriculture industry. Given that the Company has been developing, producing and selling ecological fertilisers for over a decade, and is a reputable player with strong brand influence in China's compound and organic fertiliser market, it is expected that the supportive policy measures carried out in China will further strengthen the development of the Group's green ecological fertiliser business. As such, the Company is of the view and we concur that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Group's continual investments in the green ecological fertiliser business, which involve the timely construction of the production facilities of the Group's fertiliser business in Jiangxi and Jiangsu, will bring a positive and satisfactory economic return to the Company and the Shareholders as a whole.

Given that the unsecured offshore borrowings and Capital Expenditures are due soon, the Board is resolved to proceed with the Subscription as a way to raise fund.

As stated in the section headed "Intended Use of Proceeds from the Subscription" in the Board Letter, the Company intends to use the net proceeds from the Subscription in the following manner:

- (i) approximately HK\$230 million (representing approximately 78.77% of the net proceeds) to partially refinance the Group's unsecured offshore borrowings (including accrued interest) from independent third parties to a lower interest rate (i.e. from approximately 9.1% per annum to 8% per annum with the weighted average interest rate of the Group's unsecured offshore borrowings being lowered from approximately 7.6% to 7.3% per annum), which is expected to put the Company in a better position when negotiating terms of financing with potential investors and financial institutions;
- (ii) approximately HK\$32 million (representing approximately 10.96% of the net proceeds) to settle the Capital Expenditures; and
- (iii) approximately HK\$30 million (representing approximately 10.27% of the net proceeds) to strengthen the general working capital for the payment of loan interests of the unsecured offshore borrowings as well as salary, office rental and other administrative expenses of the Group's operations in Hong Kong in the next twelve months upon Completion.

Additionally, in respect of the remaining Capital Expenditures due before December 2020, the Company is reviewing the progress of its capacity expansion plan and may adjust the capital expenditures level in light of the economic uncertainty due to the COVID-19 pandemic.

Furthermore, from our discussion with the Director, we note that the Directors had considered the potential dilution effect to the shareholding interests of the public Shareholders when entering into the Subscription. As discussed in the below section headed "Dilution effects on the shareholding structure of the Company upon full conversion of the Convertible Bonds" of this letter, upon the full conversion of the Convertible Bonds at the initial Conversion Price and assuming there is no change to the issued share capital of the Company and the shareholding in the Company other than the issue of the Conversion Shares, the shareholding of existing public Shareholders will be diluted by approximately 16.48% immediately. While such dilution impact would likely not appeal to certain Shareholders, it should be noted that such potential dilution effect is unavoidable when convertible securities are issued and regardless of the time of such issue. Taking into account the reasons for and benefits of the Subscription as discussed in this section and our view that the Subscription is currently the most appropriate and timely fund raising method available to the Company as discussed in next section of this letter, we agreed with the Directors that the possible dilution effect on the shareholding interests of the public Shareholders is acceptable.

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In light of the above, we agree with the Directors that the Subscription would strengthen the quality of the Company's financial resources and liquidity position to navigate in the current unstable market conditions so that the Company will be in a better financial position to capture more business opportunities associated with its principal business ahead, while allowing the Group to settle the Capital Expenditures and hence complete the construction of its production facilities in Jiangxi and Jiangsu, and satisfying its needs to maintain sufficient working capital level for its operations and potential business expansion. In addition, since the Subscription reflects Mr. Chi's (the controlling Shareholder and chairman of the Board) confidence in and commitment to support the Group's business, we agree that the Subscription will further give the market confidence as to the Company's prospect.

Finally, from our discussion with the Director, we understand that while they consider the Subscription as currently the best financing option of the Company, the Subscription is not the Company's last resort that will impose any material adverse impact to the Company's financial position and operation if the Subscription is not going to proceed. However, given the reasons for and benefits of the Subscription as discussed above, the Directors consider, and we concur, that the Subscription is in the interest of the Company and the Shareholders as a whole.

4. Alternative fund raising methods

We were given to understand that apart from the issue of the Convertible Bonds, the Directors have considered alternative fund raising methods such as commercial debt financings (including bank borrowings), placing of new shares, rights issue or open offer. The management of the Company has continuously tried various alternatives during the past few months, but the recent instability of the local and global financial markets negatively affects the financing opportunities of the Company. Therefore, the Board resolved to proceed with the issue of the Convertible Bonds after taking into account the following:

- (i) In respect of debt financing, and particularly bank borrowings, while they continue to play a key role in supporting the ongoing operating working capital for the Group, the Board considers that it might be uncertain and time consuming to rely solely on bank borrowings given the current financial market conditions in Hong Kong and the PRC. Furthermore, the Company has approached and negotiated (and some of these discussions are still ongoing) with independent third parties including (a) several banks and financial institutions for the refinancing of the Group's unsecured offshore borrowings in the first quarter of 2020, and the indicative interest rates quoted by these financial institutions for commercial debt financings ranged from mid-10% to upper 10% range, which are substantially higher than the weighted average interest rate of the Group's existing unsecured offshore borrowings of approximately 7.6%; and (b) financial institutions for the refinancing of the Company's listed term notes with a face value of SGD101.75 million (equivalent to approximately HK\$559.63 million) and a coupon rate of 7.0%, and the Company notes that the interest rates for US dollar denominated debts issued by companies in the Greater China Region with similar credit ratings in March 2020 and April 2020 ranged from 11.00% to 12.75% (Source: Bloomberg). Given the higher interest rates associated debt financings, the Board considered that it will be difficult for the Company to obtain debt financings of such magnitude at the relevant time on acceptable terms;

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- (ii) In respect of equity financing, the Board considered it may require a discount on issue price to the prevailing market price of the Shares given (a) the recent market volatility and poor market conditions; and (b) the trading volume of the Shares has been thin in general (i.e. the monthly average daily trading volume of the Shares as a percentage of the total number of the Shares in issue during the twelve-month period ended the Last Trading Day ranged from approximately 0.01% to 0.13% and as a percentage of the number of the Shares held by public Shareholders as at the Latest Practicable Date ranged from approximately 0.02% to 0.20%). In addition, placing of new shares and convertible bonds will incur higher costs than the issue of the Convertible Bonds as the Company will need to pay commissions to the placing agent. Based on the Company's review of transactions involving placing of securities (i.e. shares and convertible bonds) of listed companies in Hong Kong for the past six months ended the Last Trading Day, the placing commission rates of these transactions ranged from 0.25% to 10% at an average of approximately 2.5%. As such, the Board did not pursue securities placing as it was considered to be less favourable to the Shareholders taking into account the additional costs and unfavourable pricing. The Board was also of the view that a rights issue or open offer will incur more transaction costs including but not limited to the additional costs and time spent in the preparation of the listing documents. Since such corporate exercises will be relatively more time consuming (approximately an additional 30 days to complete the fundraising exercise), it may result in the Company being subject to the adverse effects of the current volatile market, thereby increasing the uncertainty it faces in raising funds in time and may affect the overall business plan of the Group.

From our discussion with the Directors, we note that they consider it difficult to predict with certainty whether an economy turnaround will happen in the near future and are of the view that there is a possibility that the Share prices may remain stagnant in the second quarter of 2020, as evidenced by the fact that the Heng Seng Index has yet to return to its 2019 level at above 25,000 points as at the Latest Practicable Date. As such, although in the event that the Share price exceeds the Conversion Price, the Company may directly benefit by placing of shares at that time, the Directors consider it a hypothetical scenario, especially given the current global economic uncertainties and the thin trading volume of the Shares. In addition, as discussed above, placing of securities, or equity financing in general, are dependent upon the market demand for the Shares and would likely entail additional time and costs as well as unfavourable pricing, and hence the Directors are of the view that the issue of the Convertible Bonds remains the most preferable fund raising method currently available to the Company.

As stated in the Board Letter, the Company and Mr. Chi, the chairman of the Board, executive Director and controlling Shareholder discussed from time to time about the provision of shareholder's financing by Mr. Chi as an alternative means of financing to the Group subject to Mr. Chi being able to obtain personal financing. Mr. Chi informed the Company in mid-March 2020 that he was able to arrange personal financing to address the funding requirements of the Group. After preliminary arms' length negotiation with Mr. Chi and careful consideration of the terms of the financing options currently available to the Company and the recent markets conditions, the Company and Mr. Chi commenced the discussion on the proposal whereby the Subscriber is willing to subscribe for certain convertible bonds to be issued by the Company. As blackout period commenced on 18 January 2020,

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the parties worked towards finalising the terms of the Subscription and entering into the Subscription Agreement as soon as possible after the Company published its audited annual results for the year ended 31 December 2019 on 16 April 2020. Based on the Company's presentation to us and our review of the facility letter for the aforementioned personal financing obtained by Mr. Chi, we understand that the Company's current arrangement with Mr. Chi provides the most favourable financing terms compared to other financing options.

In addition to Mr. Chi, we note from our discussion with the Directors that, in seeking commercial debt financings from independent third parties during the past few months, the Company had also attempted to negotiate with them on the possibilities of an issue of convertible bonds by the Company. However, the Company had only obtained interest from one financial institution and the indicative interest rate quoted by such financial institutions was approximately 12%, with the conversion price premium proposed to be set at around 20%, similar to that represented by the Convertible Price, over the prevailing market price of the Shares at the time when entering into the potential engagement. Given the high interest rate and the other terms and restrictions imposed by such financial institution, the Directors were of the view that such engaging was not preferable and therefore did not proceed with such financial institution.

Given that (i) the Company had not been able to obtain favorable interest rates for debt financings from independent third parties; (ii) equity financings would entail additional time and costs as well as unfavourable pricing as discussed above; and (iii) the issue of convertible bonds to independent third parties at a more favourable interest rate was not practicable, we concur with the Directors that the issue of the Convertible Bonds is currently the most appropriate and timely fund raising method available to the Company and can better prepare the Company for unfavorable market conditions in Hong Kong and the PRC.

5. Principal terms of the Subscription Agreement

Set out below are the summary of principal terms of the Subscription Agreement as extracted from the Circular.

Date	:	18 April 2020
Parties	:	(i) China Century Sunshine Group Investment Limited (as Subscriber); and (ii) the Company (as issuer)
Principal amount:		HK\$300,000,000
Maturity date:		The second anniversary of the date of issue of the Convertible Bonds (i.e. date of completion of the Subscription Agreement)
Interest rate:		8% per annum on the outstanding amount

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

As at the Latest Practicable Date, there were 4,581,116,843 Shares in issue. The Conversion Shares represent: (i) approximately 34.93% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 25.89% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change to the issued share capital of the Company).

For details on the principal terms of the Convertible Bonds, please refer to sections titled “Principal terms of the Convertible Bonds” in the Board Letter.

6. Evaluation of the terms of the Convertible Bonds

(a) Analysis of the Conversion Price

As stated in the Board Letter, the Conversion Shares will be allotted and issued upon the exercise of the conversion right under the Convertible Bonds. The Conversion Price of HK\$0.1875 per Conversion Share represents:

- (i) A premium of approximately 28.42% over the closing price of HK\$0.1460 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) A premium of approximately 18.67% over the closing price of HK\$0.1580 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) A premium of approximately 18.82% over the average closing price of HK\$0.1578 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including the Last Trading Day;
- (iv) A premium of approximately 18.52% over the average closing price of HK\$0.1582 per Share as quoted on the Stock Exchange for the 10 consecutive trading days of the Shares up to and including the Last Trading Day;
- (v) A premium of approximately 11.94% over the average closing price of HK\$0.1675 per Share as quoted on the Stock Exchange for the 30 consecutive trading days of the Shares up to and including the Last Trading Day;
- (vi) A premium of approximately 0.21% over the average closing price of HK\$0.1871 per Share as quoted on the Stock Exchange for the 60 consecutive trading days of the Shares up to and including the Last Trading Day; and

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- (vii) A discount of approximately 77.57% to the audited net assets value per Share attributable to equity holders of the Company of approximately HK\$0.8358 based on the latest audited consolidated net asset value attributable to equity holders of the Company as at 31 December 2019 and the number of Shares in issue as at the Latest Practicable Date (“**NAV per Share**”).

The Conversion Price was determined after arm’s length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares and the market conditions at the time of entry into the Subscription Agreement.

Prevailing market price of the Shares and the market conditions

As stated in the Board Letter, the Directors noted the Shares have been traded at a general downward trend during the period from January 2020 up to and including the Last Trading Day (the “**Period**”) due to the recent volatility and market downturn of the global economy, in particular in Hong Kong and China, as well as concerns over the COVID-19 pandemic in the Hong Kong stock market since January 2020. The highest and lowest closing prices of the Shares were HK\$0.228 on 20 January 2020 and HK\$0.151 on 18 March 2020 and 19 March 2020 respectively during the Period and the Conversion Price represents a discount of approximately 17.76% and a premium of approximately 24.17% to the highest and lowest closing price of the Shares respectively during the Period. Accordingly, the Conversion Price represents a slight discount of approximately 2.90% to the average closing price of HK\$0.1931 per Share during the Period.

While we are aware that the Share prices only dropped to less than the Conversion Price in mid-March as illustrated in the next sub-section of this letter, we understand that the Conversion Price was determined with regard to the prevailing market prices of the Shares and the market conditions at the time of entering into the Subscription Agreement, which was around mid-April, and we are of the view that such basis of conversion price determination is common among issuers in Hong Kong when issuing convertible securities. In addition, as discussed in the previous section headed “Alternative fund raising methods” of this letter, the Company had sought alternative fund raising methods during the past few months before resolving to proceed with the Subscription in April. We understand from the Company that because of the time required for seeking and determining an appropriate fund raising method as well as for negotiating and entering into the Subscription, the Subscription happened in April instead of earlier and hence the Conversion Price was determined with regard to the prevailing market price of the Shares and the market conditions around the same period. In this regard, we agree with the Directors that, the Conversion Price reflects the fair market value of the Shares traded on the Stock Exchange and was an appropriate benchmark to reflect the prevailing market conditions and recent market sentiment.

Meanwhile, although the Conversion Price was only above the Share prices since mid-March, it is at a premium of approximately 19% over the prevailing market prices of the Shares at the time of entering into the Subscription Agreement (i.e. average closing prices of the Shares for the last 5 and 10 consecutive trading days of the Shares up to and including the Last Trading Day) and approximates the average closing price of the Shares for the 60 consecutive trading days of the Shares up to and including the Last Trading Day. Since the Conversion Price was determined after arm’s length negotiations between the Company and the Subscriber, we consider it reasonable that the parties took reference from an average closing price of the Shares for a narrower period prior to the Last Trading

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Day (60 consecutive trading days prior), instead of a wider period given the uncertainty and volatility in the global economy arose as a result of the COVID-19 pandemic. As discussed in the section headed “Alternative fund raising methods” of this letter, we understand that the Directors consider it difficult to predict with certainty whether an economy turnaround will happen in near future and are of the view there is a possibility that the Share prices may remain stagnant in the second quarter of 2020. As such, the Directors consider, and we concur, that it is prudent to enter into the Subscription with the Subscriber sooner than later in case the Share prices continue to drop and put further downward pressures on the Conversion Price.

NAV per Share

On the other hand, as stated in the Board Letter, the Directors were aware of the fact that the Conversion Price represents a discount of approximately 77.57% to the NAV per Share. However, considering the Shares had been consistently traded at a substantial discount to the net assets value per Share for the past three financial years calculated based on the audited net asset value attributable to Shareholders for the years ended 31 December 2017, 2018 and 2019 and the weighted average number of Shares in issue in the respective years (ranging from a minimum discount of approximately 49.17% to a maximum discount of approximately 78.22%), both the Subscriber and the Company considered, and we concur, that the prevailing market price of the Shares, instead of the NAV per Share, would be a more appropriate reference in determining the Conversion Price.

Further to the analysis above, when assessing the fairness and reasonableness of the Conversion Price, we have also taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange for the period from 1 April 2019 to the Latest Practicable Date, being a period of more than twelve months prior to the date of the Announcement and up to and including the Latest Practicable Date (the “**Review Period**”); and (ii) the comparison of the recent issue/placings of convertible bonds/notes (excluding the issue of convertible bonds/notes as a consideration of an acquisition and those issues of convertible bonds/notes which had been terminated and which are convertible into A shares) (the “**Comparable Issues**”) to connected persons and independent third parties by listed issuers in Hong Kong announced for the period from 1 October 2019 to the Last Trading Day, being a period of more than six months prior to the date of the Announcement and up to and including the Last Trading Day (the “**Comparison Period**”).

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Historical share price performance

In order to assess the fairness and reasonableness of the Conversion Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during Review Period. We consider that a sampling period of more than twelve months is adequate as it would provide a general overview of the recent price performance of the Shares for our analysis on the historical closing prices of the Shares and the Conversion Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart 1: Historical daily closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

As illustrated in the chart above, the Shares have been traded at a general downward trend during the Review Period particularly since January 2020. During the Review Period, the Share price closed at its highest at HK\$0.230 on 8 April 2019 and 10 June 2019 respectively, and at its lowest at HK\$0.146 on 22 May 2020. The Conversion Price of HK\$0.1875 therefore falls within the highest and lowest closing prices of the Shares, and represents a discount of 18.48% and a premium of 28.42% to the highest and lowest closing price of the Shares respectively during the Review Period. Meanwhile, the Conversion Price represents a discount of approximately 8.09% to the average closing price of HK\$0.204 during the Review Period.

Meanwhile, as shown in the chart above, the closing price of the Shares had dropped from HK\$0.19 on 11 March 2020 to HK\$0.177 on 13 March 2020 and had not returned to a price level higher than HK\$0.1875 since. As such, since 13 March 2020, the closing prices of the Shares had not exceeded the Conversion Price.

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Market comparable analysis

To further assess the fairness and reasonableness of the key terms of the Convertible Bonds, we have conducted a search of Comparable Issues to connected persons and independent third parties by listed issuers in Hong Kong announced during the Comparison Period to understand the trend of the recent market practice. We consider that the six-month Comparison Period is appropriate in providing a general reference for the recent market practice in relation to the key terms of the Comparable Issues under similar market conditions, given that (i) the timeframe is sufficient in generating a reasonable and meaningful amount of samples for the purpose of our analysis; and (ii) the inclusion of all Comparable Issues without any artificial selection or filtering on our part represents a true and fair view of the recent market trends for similar transactions conducted by other listed issuers in Hong Kong.

In this regard, we have identified a total of 19 Comparable Issues during the Comparison Period. Although the Comparable Issues may have different sizes compared to that of the Company, we consider that the Comparable Issues are fair and representative samples, as we are of the view that including Comparable Issues of different sizes can reflect a more comprehensive market sentiment in our analysis.

Although the principal businesses, market capitalisations, profitability and financial positions of the companies of the Comparable Issues may be different from those of the Company, we consider that the Comparable Issues were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider, to the best of our knowledge and ability, that the Comparable Issues are exhaustive, fair and indicative in assessing the fairness and reasonableness of the key terms of the Convertible Bonds.

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Table 1: Analysis of the Comparable Issues (Note 1)

Company name	Stock code	Date of announcement	Interest rate		Maturity	Premium/	Premium/	Percentage of
			per annum	%		(discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement	(discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement	
			%	year		%	%	%
South China Financial Holdings Limited	619	7-Apr-20	0	3		0	0.92	43.00
Sunshine Oilsands Ltd.	2012	1-Apr-20	8	2		26.40	0	47.07
Asia Energy Logistics Group Limited	351	27-Mar-20	0	3		(3.03)	(6.98)	37.69
Wai Chun Group Holdings Limited	1013	25-Feb-20	5	Perpetual		2.44	5.00	16.07
Titan Petrochemicals Group Limited	1192	18-Feb-20	5	2		63.27	67.36	2.48
Wai Chun Bio-Technology Limited	660	23-Jan-20	4	3		(7.43)	(9.50)	7.58
Viva Biotech Holdings	1873	23-Jan-20	2.5	5		26.00	25.10	13.50
Sino Biopharmaceutical Limited	1177	22-Jan-20	0	5		57.51	60.56	2.62
Huajun International Group Limited	377	22-Jan-20	0	5		208.94	204.49	29.95
ANTA Sports Products Limited	2020	14-Jan-20	0	5		40.00	42.70	2.95
Best Food Holding Company Limited	1488	13-Jan-20	0	7		7.27	9.87	29.51
Bosideng International Holdings Limited	3998	5-Dec-19	1	5		27.50	29.60	3.89
Shougang Concord International	697	29-Nov-19	0	2		(13)	(15.30)	12.39
iDreamSky Technology Holdings Limited	1119	26-Nov-19	2.5	3		2.40	5.20	3.79
Spring Real Estate Investment Trust	1426	25-Nov-19	1.8	2		14.20	12.50	11.10
Pacific Basin Shipping Limited	2343	31-Oct-19	3	6		31.90	36.40	10.92
Synergis Holdings Limited	2340	24-Oct-19	7	2		2.00	4.20	16.51
Ban Loong Holdings Limited	30	14-Oct-19	3	2		(0.80)	0	30.50
Victory City International Holdings Limited	539	14-Oct-19	5	2		64.60	65.00	11.40

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Company name	Stock code	Date of announcement	Interest rate per annum	Maturity	Premium/ (discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the respective announcement/ agreement	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement	Percentage of the number of shares to the enlarged issued share capital
			%	year	%	%	%
		Maximum <i>(Note 2)</i>	8.00	Perpetual	64.60	67.36	47.07
		Median <i>(Note 2)</i>	2.50	3.00	10.74	7.54	11.90
		Minimum <i>(Note 2)</i>	0	2.00	(13.00)	(15.30)	2.48
		Average <i>(Note 2)</i>	2.66	3.47	18.96	18.48	16.83
The Company	509	18 Apr 2020	8	2	18.67	18.82	25.89

Source: the website of the Stock Exchange

Notes:

1. The respective interest rate per annum, term to maturity, the relevant premium/discount and issue sizes in terms of percentage are extracted from the relevant published announcements of the companies for the Comparable Issues.
2. We have excluded Huajun International Group Limited (Stock code: 377) (“**Huajun**”) when arriving to these figures as we are of the view that the company is an outlier.

As shown in the above table, the conversion price of Huajun represents an exceptional high premium over its closing price per share on last trading day and over its average closing price for the last five consecutive trading days prior to its last trading day as compared with those of the other Comparable Issues (i.e. more than three times larger than the second highest premium of the Comparable Companies over their respective closing price per share on last trading day and over their respective average closing price for the last five consecutive trading days prior to their respective last trading day). According to the circular of Huajun dated 29 April 2020, although the board of Huajun observed that it is a common practice for listed issuers in Hong Kong to set their conversion price per share at a discount to the closing prices of their shares, in order to protect the interest of Huajun and its shareholders as a whole, the board of Huajun insisted to set the conversion price at a substantially high premium instead. After various arm’s length negotiations between Huajun and the subscriber of its convertible bonds, the board of Huajun requested for the conversion price to be set at a relatively high price as compared to its prevailing market prices, in order to maximise the interest of Huajun

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and its shareholders as a whole.¹ Given that such practice is not common in the market as illustrated by the Comparable Issues, we are of the view that Huajun International Group Limited is an outlier and in order to avoid skewing our figures, we have excluded it when determining the maximum, minimum, median and average figures of the Comparable Issues.

After excluding the outlier, we note that the premium/(discount) of the conversion prices over/to the closing prices of the respective shares on the respective last trading days of the Comparable Issues ranged from a discount of approximately 13.0% to a premium of approximately 64.6%, with the average and median being a premium of approximately 19.0% and 10.7%, respectively, while the premium/(discount) of the conversion prices over/to the average closing prices of the respective shares for the last five trading days represented by the Comparable Issues ranged from a discount of approximately 15.3% to a premium of approximately 67.4%, with the average and median being a premium of approximately 18.5% and 7.5%, respectively. The premium of approximately 18.67% represented by the Conversion Price over the closing price of HK\$0.158 per Share on the Last Trading Day, as well as the premium of approximately 18.82% represented by the Conversion Price over the average closing price of HK\$0.1578 per Share for the five consecutive trading days of the Shares up to and including the Last Trading Day, therefore fall within the ranges of the Comparable Issues (excluding the outlier) and are above the median figure and approximate the average figure thereof.

Furthermore, as shown in the above table, the issue sizes (the percentage of the number of conversion shares to the enlarged issued share capital) are negatively correlated with the conversion prices of the Comparable Issues (excluding the outlier), given that for the same fund raising amount, a higher conversion price would entail a smaller amount of conversion shares, and vice versa. Hence, since conversion prices are often determined with regard to prevailing market prices of the shares, a lower conversion price resulted from decreasing market prices of the shares would likely lead to a larger issue size for the same fund raising amount. Save for this, we have not identified any other correlation between the issue size and/or maturity and other terms of the Comparable Issues.

Having considered that (i) the Conversion Price represents a premium over the closing price of the Shares on the Last Trading Day and on the Latest Practicable Date, as well as over the average closing price of the Shares for the five, 10, 30 and 60 consecutive trading days up to and including the Last Trading Day; (ii) the Conversion Price was determined after arm's length negotiations between the Company and the Subscriber having regard to the prevailing market price of the Shares; (iii) the Conversion Price is within the range of closing prices of the Shares during the Review Period, and had been above the closing prices of the Shares since 13 March 2020; and (iv) the premium represented by the Conversion Price over the closing price per Share on the Last Trading Day, as well as the premium represented by the Conversion Price over the average closing price for the five consecutive trading days of the Shares up to and including the Last Trading Day, fall within the ranges of the Comparable Issues (excluding the outlier) and are above the median figure and approximate the average figure thereof, we consider that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

¹ Please refer to <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801514.pdf>

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(b) Analysis of other principal terms of the Convertible Bonds

Interest rate

As shown in the above table, the interest rates of the Comparable Issues ranged from nil to 8% per annum, with the average and median being approximately 2.7% and 2.5% per annum, respectively. The interest rate of the Convertible Bonds, being 8% per annum, therefore falls within the range of the interest rates of the Comparable Issues and approach the high end among those of the Comparable Issues.

According to the 2019 Annual Report, as at 31 December 2019, the Group's weighted average effective interest rate of bank borrowing and other borrowings was approximately 7.01% per annum, which is about 1 percentage points lower than the interest rate of 8% per annum carried by the Convertible Bonds. Meanwhile, as discussed in the above section headed "Reasons for and benefits of the Subscription and the use of proceeds", the interest rate of the Group's unsecured offshore borrowings (including accrued interest) from independent third parties is approximately 9.1% per annum with their weighted average interest rate being approximately 7.6% per annum, which are 1.1 percentage points higher and 0.4 percentage points lower than the interest rate of 8% per annum carried by the Convertible Bonds, respectively. Despite the difference between the interest rate of the Convertible Bonds and the weighted average interest rate of the Group's unsecured offshore borrowings, we understand from the Directors that the Company intends to utilise the net proceeds from the Subscription to refinance those unsecured offshore borrowings which carry an interest rate higher than 8% per annum. Meanwhile, as discussed earlier, the Subscription would allow the Group to bring down the interest rate of these unsecured offshore borrowings from approximately 9.1% per annum to 8% per annum, and their weighted average interest rate from approximately 7.6% per annum to 7.3% per annum, and accordingly allow the Group to better position itself financially for future negotiations for other financings.

In addition, since the Convertible Bonds, when converted into Conversion Shares, will be recognized as equity of the Company and will hence improve the net asset position of the Company, we are of the view that the interest rate of 8% per annum carried by the Convertible Bond is acceptable as the potential benefit of the issue of the Convertible Bonds could not be achieved by bank borrowings.

Given that the interest rate of 8% per annum carried by the Convertible Bond is within the range of the interest rates of the Comparable Issues and can help lower the interest rate of part of the Group's unsecured offshore borrowings and enhance the Group's financial position, and that there are potential benefits associated with issue of the Convertible Bonds that could not be achieved by bank borrowings, we consider the interest rate, despite on the higher end of the range of those of the Comparable Issues, to be fair and reasonable so far as the Independent Shareholders are concerned.

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Issue size

As for the issue size of the Convertible Bonds (the percentage of the number of conversion shares to the enlarged issued share capital), we note that the issue sizes of the Comparable Issues ranged from approximately 2.5% to 47.1%, with an average and median of approximately 16.8% and 11.9% respectively. The issue size of the Convertible Bonds of approximately 25.9% therefore falls within the range of the issue sizes of the Comparable Issues and is on the higher end among those of the Comparable Issues.

As discussed earlier, a lower conversion price resulted from decreasing market prices of the shares would likely lead to a larger issue size for the same fund raising amount. Such view is supported by the issue sizes of recent Comparable Issues (since late February), which are relatively larger compared to those of other Comparable Issues, likely due to the fact that the share prices of these companies had decreased significantly in the past few months and hence a larger issue size is required in order to raise the target fund raising amount. In this regard, we are therefore of the view that the issue size of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned, especially during this time given the uncertainty and volatility in the global economy arisen as a result of the COVID-19 pandemic.

Term to maturity

As for the terms to maturity, we note that the term to maturity of the Comparable Issues ranged from two years to perpetuity, with an average and median of approximately 3.5 years and 3 years respectively. The term to maturity of the Convertible Bonds of two years therefore falls within the range of the terms to maturity of the Comparable Issues and is fair and reasonable so far as the Independent Shareholders are concerned in our view.

(c) Section conclusion

Having considered the above, we are of the view that the terms of the Subscription Agreement, including the Conversion Price, interest rate, issue size and term to maturity, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Subscription, while not in the ordinary and usual course of business of the Company, is in the interest of the Company and the Shareholders as a whole.

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7. Dilution effects on the shareholding structure of the Company upon full conversion of the Convertible Bonds

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price, earliest of which will be the first anniversary of the date of issue of the Convertible Bonds (assuming there is no other change to the issued share capital of the Company).

Table 2: Shareholding structure of the Company

	As at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds at the initial Conversion Price	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Chi and the Subscriber (<i>Note 1</i>)	1,591,841,912	34.75%	3,191,841,912	51.64%
Mr. Chi's family (<i>Note 2</i>)	50,092,985	1.09%	50,092,985	0.81%
Directors				
Mr. Shum Sai Chit (<i>Note 3</i>)	14,666,305	0.32%	14,666,305	0.24%
Mr. Chi Jing Chao (<i>Note 4</i>)	1,633,998	0.04%	1,633,998	0.03%
Mr. Guo Mengyong (<i>Note 5</i>)	2,625,000	0.06%	2,625,000	0.04%
	18,925,303	0.42%	18,925,303	0.31%
Subtotal of Subscriber and parties acting in concert with it (<i>Note 6</i>)	1,660,860,200	36.26%	3,260,860,200	52.76%
Other Directors:				
Mr. Sheng Hong (<i>Note 6</i>)	1,775,000	0.04%	1,775,000	0.03%
Mr. Lau Chi Kit (<i>Note 6</i>)	2,000,000	0.04%	2,000,000	0.03%
	3,775,000	0.08%	3,775,000	0.06%
Public Shareholders	<u>2,916,481,643</u>	<u>63.66%</u>	<u>2,916,481,643</u>	<u>47.18%</u>
	<u>4,581,116,843</u>	<u>100.00%</u>	<u>6,181,116,843</u>	<u>100.00%</u>

Notes:

- The Subscriber is wholly-owned by Mr. Chi and it did not own or have control or direction over any Shares as at the Latest Practicable Date. Mr. Chi personally owned 249,970,548 Shares (representing approximately 5.46% of the total number of issued Shares as at the Latest Practicable Date) and he was deemed to be interested in the 1,341,871,364 Shares (representing approximately 29.29 % of the total number of issued Shares as at the Latest Practicable Date) held by Alpha Sino by virtue of Mr. Chi's holding of approximately 83.74% of the issued share capital of Alpha Sino. Alpha Sino is owned as to approximately 83.74% by Mr. Chi, as to approximately 6.26% by Mr. Shum Sai Chit and as to 10% by Bande Investment Company Limited, a company wholly owned by Mr. Chi's siblings.

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Mr. Chi and Alpha Sino, as chargors, charged 249,970,548 Shares and 792,591,364 Shares (together, the “**Charged Shares**”), respectively, (representing approximately 5.46% and 17.30% of the issued share capital of the Company as at the Latest Practicable Date, respectively) to Mr. Lo, Kai Ming Charles (“**Mr. Lo**”) and Ms. Lee, Wai Yin Angela (“**Ms. Lee**”), as joint chargees (together, the “**Share Charges**”) on 18 April 2020.

The Subscriber has entered into a facility letter with Hang Seng Bank, Limited (the “**Bank**”) for a loan facility of up to HK\$300 million (the “**Facility**”) for financing the investment needs of the Group. The Subscriber intends to utilise the Facility to finance the subscription of the Convertible Bonds at Completion. The Facility is intended to be secured by, among others, a second legal charge over the Convertible Bonds from the Subscriber in favour of the Bank (“**HSB Second Charge over Convertible Bonds**”) which is expected to be entered into at or shortly before Completion. As at the Latest Practicable Date, the terms and conditions of the HSB Second Charge over Convertible Bonds have yet been agreed upon by the parties thereto. In addition, the Facility will also be secured by certain third party security to be granted by Mr. Lo and Ms. Lee (together, the “**Security Providers**”) at or shortly before Completion in favour of the Bank guaranteeing the Subscriber’s obligations under the Facility. In consideration of the grant of such third party security by the Security Providers to the Bank, the Subscriber has provided or procured the provision of various securities in favour of the Security Providers, which include, insofar as the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company are concerned, (a) the Share Charges and (b) a first fixed legal charge over the Convertible Bonds on 18 April 2020, and has agreed to procure Alpha Sino to provide (c) a share charge over 549,280,000 Shares (“**Alpha Sino Further Shares**”) upon the release of a share mortgage agreement of Alpha Sino (collectively, the “**Charges over Relevant Securities**”). As at the Latest Practicable Date, the Security Providers, being presumed class (9) concert parties with the Subscriber, did not own any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company nor had they dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period. Please refer to pages III-10 and III-11 of Appendix III to the Circular for further details on the Share Charges and the concert party relationship between the Subscriber and Mr. Lo and Ms. Lee.

Pursuant to the Charges over Relevant Securities, the respective chargor thereunder charged or will charge (as the case may be) and assigned or will assign (as the case may be) to the Security Providers by way of security, among other things, the rights, titles, benefits and interests of the respective chargor in the Convertible Bonds, the Charged Shares and the Alpha Sino Further Shares (as the case may be), as continuing security for, among others, the due and punctual payment and discharge of all obligations and liabilities owed by the Subscriber, Mr. Chi and/or Alpha Sino to the Security Providers in connection with the Security Providers’ provision of the third party security.

Under the Charges over Relevant Securities, the Security Providers shall be entitled to declare all or any part of the security created thereunder enforceable and, among other things, exercise their power to dispose of all and any of the Convertible Bonds, the Charged Shares and the Alpha Sino Further Shares which are subject to the relevant Charge over Relevant Securities, if the Bank gives notice of the occurrence of any breach or default under or in connection with the Facility and the Bank either demands repayment of the Facility or takes any step to enforce any of the third party security granted by the Security Providers. In addition, upon any of the Charges over Relevant Securities becoming enforceable, the Security Providers may exercise rights and enjoy benefits attaching to the Convertible Bonds, the Charged Shares and the Alpha Sino Further Shares (as the case may be), including but not limited to voting rights and rights to receive dividends. Under such circumstances, a mandatory general offer obligation may be triggered on the part of the Security Providers and/or their assignees. The Security Providers have confirmed to the Company that, in such event, the Security Providers will, and will procure their assignees to, comply with the relevant requirements under the Takeovers Code.

2. The shareholdings of Mr. Chi’s family include the shareholding interests in the Company held by Mr. Chi’s siblings and daughter of 13,356,143 Shares (representing approximately 0.29% of the total number of issued Shares as at the Latest Practicable Date) and 36,736,842 Shares (representing approximately 0.80% of the total number of issued Shares as at the Latest Practicable Date) respectively.
3. Mr. Shum Sai Chit is a director of Alpha Sino and he is a party acting in concert with the Subscriber.

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4. Mr. Chi Jing Chao is the nephew of Mr. Chi and is an executive Director. By virtue of being an executive Director, Mr. Chi Jing Chao is presumed to be a party acting in concert with the Subscriber pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Subscription.
5. Mr. Guo Mengyong is the brother-in-law of Mr. Chi and is a non-executive Director. By virtue of being a non-executive Director, Mr. Guo Mengyong is presumed to be a party acting in concert with the Subscriber pursuant to class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Subscription.
6. As at the Latest Practicable Date, there were 314,856,204 outstanding Options, of which 74,389,145 Options were granted to the Directors as below:

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

7. Save as the aforesaid, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.
8. Save as disclosed above, none of the Directors had any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

As shown in the above table, the shareholding of the existing public Shareholders will be diluted by approximately 16.48% from approximately 63.66% as at the Latest Practicable Date to approximately 47.18% immediately after the full conversion of the Convertible Bonds at the initial Conversion Price and assuming there is no change to the issued share capital of the Company and the shareholding in the Company other than the issue of the Conversion Shares. Nonetheless, taking into account that (i) the Subscription and the use of proceeds therefrom are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, due to the reasons set out in the section headed “Reasons for and benefits of the Subscription and use of proceeds” in this letter; (ii) the Subscription is currently the most appropriate and timely fund raising method available to the Company as discussed in the section headed “Alternative fund raising methods” in this letter; (iii) the Conversion Price represents a premium over the prevailing market prices of the Shares as at the Last Trading Day and the Latest Practicable Date as well as for the five consecutive trading days of the Shares up to and including the Last Trading Day; (iv) the premium represented by the Conversion Price over the market price of the Shares is above the median premium and approximates the average premium represented by the conversion prices of the Comparable Issues; and (v) the Convertible Bonds, when converted into Conversion Shares, will be recognized as equity of the Company and will hence enlarge the capital base, reduce the gearing ratio, and improve the net asset position of the Company, we consider that the possible dilution effect on

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the shareholding interests of the public Shareholders is acceptable and is fair and reasonable so far as the Independent Shareholders are concerned. Meanwhile, given that the Security Providers have confirmed to the Company that, in the event a mandatory general offer obligation is triggered by events such as any breach or default under or in connection with the Facility, the Security Providers will, and will procure their assignees to, comply with the relevant requirements under the Takeovers Code, we are of the view that such arrangement between the Security Providers and the Subscriber and/or Mr. Chi is fair and reasonable so far as the Independent Shareholders are concerned.

8. Future intentions of the Subscriber regarding the Group

The Subscriber intends to continue the existing business of the Group and there will be no change to the continued employment of the employees of the Group. The Subscriber has no intention to introduce any major changes to the existing operation and businesses of the Group including redeployment of any fixed assets of the Group other than in the ordinary course of business. We understand from the Company that, as at the Latest Practicable Date, the Subscriber did not have any plan or intention to convert any part of the Convertible Bonds into Conversion Shares upon Completion.

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

As at the Latest Practicable Date, the Company (i) held 4,761,117,434 shares of REMT (representing approximately 72.31% of the issued share capital of REMT) and a convertible bond (the “**REMT Convertible Bond**”) convertible into 1,050,000,000 shares of REMT (representing approximately 15.95% of the issued share capital of REMT as at the Latest Practicable Date); and (ii) had granted to an independent third party (the “**Optionholder**”) a call option to acquire up to 200,000,000 shares of REMT (representing approximately 3.04% of the issued share capital of REMT as at the Latest Practicable Date) from the Company (the “**Call Option**”). For illustration purpose, assuming (i) only the REMT Convertible Bond is converted in full by the Company; and (ii) the REMT Convertible Bonds and the Call Option are converted/exercised in full by the Company and the Optionholder respectively, the Company would be interested in approximately 76.12% and 73.50% of the issued share capital of REMT (as enlarged by the issue and allotment of 1,050,000,000 shares of

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REMT upon full conversion of the REMT Convertible Bond) respectively. As at the Latest Practicable Date, save for the 30,000,000, 20,000,000 and 3,000,000 share options of REMT held by Mr. Shum Sai Chit, Ms. Chi Bi Fen (elder sister of Mr. Chi) and Mr. Chi Jing Chao respectively, the Subscriber and party(ies) acting in concert with it did not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of REMT (other than those held through the Company).

As discussed in the previous section of this letter, we consider that the possible dilution effect on the shareholding interests of the public Shareholders upon full conversion of the Convertible Bonds is acceptable. As such, our view is not affected by the Subscriber's plan or intention to convert any part of the Convertible Bonds into Conversion Shares upon Completion.

9. The Whitewash Waiver

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

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

The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Whitewash Waiver, and a separate approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy by way of poll in respect of the Subscription (including the grant of the Specific Mandate) at the EGM. The Subscriber/Mr. Chi and parties acting in concert with it and their respect associates and any other Shareholders who are involved or interested in the Subscription (including the grant of the Specific Mandate) and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolution(s) approving the Subscription (including the grant of the Specific Mandate) and the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Subscription will not proceed.

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In view of that (i) the Subscription and the use of proceeds therefrom are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, due to the reasons set out in the section headed “Reasons for and benefits of the Subscription and use of proceeds” in this letter; (ii) the Subscription is currently the most appropriate and timely fund raising method available to the Company as discussed in the section headed “Alternative fund raising methods” in this letter; and (iii) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned for the purpose of proceeding with the Subscription.

RECOMMENDATION

Recommendation on the Subscription

Having considered the principal factors and reasons as discussed above and as summarised below:

- (i) The proposed use of net proceeds from the Subscriptions can help refinance part of the Group’s offshore borrowings to a lower interest rate, thereby improving the Company’s financial position so that it can capture more business opportunities associated with its principal business ahead;
- (ii) The Subscription reflects the confidence of and commitment to support the Group’s business by Mr. Chi, being the controlling Shareholder and chairman of the Board. This will further give the market confidence as to the Company’s prospect;
- (iii) The Subscription is the most appropriate and timely fund-raising method for the Company amongst other fund raising methods and can better prepare the Company for unfavorable market conditions in Hong Kong and the PRC;
- (iv) The Conversion Price is within the range of closing prices of the Shares during the Review Period and had been above the closing prices of the Shares since 13 March 2020;
- (v) The Conversion Price is higher than the prevailing market prices of the Shares as at the Last Trading Day and the Latest Practicable Date as well as for the five, 10, 30 and 60 consecutive trading days of the Shares up to and including the Last Trading Day;
- (vi) The premium represented by the Conversion Price over the prevailing market prices of the Shares on the Last Trading Day and for the five consecutive trading days of the Shares up to and including the Last Trading Day, fall within the ranges of the Comparable Issues (excluding the outlier) and are above the median and approximate the average figure thereof;

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- (vii) The interest rate of 8% per annum carried by the Convertible Bond is within the range of the interest rates of the Comparable Issues and can help to lower the interest rate of part of the Group's offshore borrowings which carry an interest rate of approximately 9.1% per annum; and
- (viii) The level of dilution to the shareholding interests of the public Shareholders as a result of full conversion of the Convertible Bonds is acceptable.

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Subscription is in the interests of the Company and the Shareholders as a whole, despite the entering into of the Subscription Agreement not being in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Subscription Agreement (including the grant of the Specific Mandate) and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Recommendation on the Whitewash Waiver

Meanwhile, having taken into consideration the reasons for and possible benefits of the Subscription and that the Subscription is conditional upon, amongst others, the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Director

* *Mr. Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this circular the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the audited consolidated financial statements of the Group for the years ended 31 December 2019, 2018 and 2017 together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The audited consolidated financial statements of the Group for each of the years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.centurysunshine.com.hk):

- (i) the audited consolidated financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 24 April 2020 from pages 87 to 224 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400347.pdf>);
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 9 April 2019, from pages 79 to 220 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltn20190409051.pdf>);
and
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 25 April 2018, from pages 82 to 220 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn20180425061.pdf>).

Set out below is a summary of the financial information of the Group for each of the years ended 31 December 2017, 2018 and 2019 as extracted from the relevant annual reports of the Company.

	For the year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(restated)</i>		
Revenue	3,443,219	4,655,116	4,314,420
Profit before income tax	399,404	691,840	591,601
Income tax expense	<u>(144,292)</u>	<u>(150,318)</u>	<u>(163,347)</u>
Profit for the year from continuing operations	255,112	541,522	428,254
Discontinued operations:			
Profit for the year from discontinued operations	<u>6,510</u>	<u>31,315</u>	<u>—</u>
Profit for the year	261,622	572,837	428,254
Profit for the year attributable to:			
Owners of the Company			
- from continuing operations	256,845	451,614	380,368
- from discontinued operations	3,471	22,616	—
Non-controlling interests			
- from continuing operations	(1,733)	89,908	47,886
- from discontinued operations	3,039	8,699	—
Total comprehensive income for the year attributable to:			
Owners of the Company			
- from continuing operations	541,282	208,652	275,973
- from discontinued operations	7,186	20,443	—
Non-controlling interests			
- from continuing operations	17,110	57,161	23,417
- from discontinued operations	5,702	8,183	—
Earnings per share:			
From continuing and discontinued operations			
- basic and diluted (HK cents)	5.67	10.35	8.30
Earnings per share:			
From continuing operations			
- basic and diluted (HK cents)	5.60	9.86	8.30

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's report of the Company for each of the years ended 31 December 2017, 2018 and 2019. For each of the three years ended 31 December 2017, 2018 and 2019, no dividend was declared or paid.

The Group had no other material income or expense for the years ended 31 December 2017, 2018 and 2019.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had aggregate outstanding borrowings and exchangeable bonds of approximately HK\$2,084 million, and the details of which are as follows:

	<i>HK\$ million</i>
Borrowings	
- Bank borrowings	883
- Other borrowings	528
- Listed subordinated notes	<u>552</u>
	1,963
Exchangeable bonds	<u>121</u>
	<u>2,084</u>
Represented by:	
- Secured	792
- Unsecured	<u>1,292</u>
	<u>2,084</u>

Pledge of assets

As at the close of business on 31 March 2020, the Group had pledged certain of its property, plant and equipment, right-of-use assets and deposits with banks with a value of approximately HK\$928 million, HK\$156 million and HK\$134 million respectively, to secure borrowings and bills payable.

Corporate guarantee

As at 31 March 2020, the Company provided guarantees for the banking facilities and other facilities granted to members of the Group.

As at 31 March 2020, the Group has executed financial guarantees to certain banks for credit facilities granted to an independent third party for approximately HK\$197 million (RMB181 million) which would be required to be paid if the guarantees were called upon in entirety.

Lease liabilities

The Group has adopted HKFRS 16 “Leases” for the accounting period beginning on 1 January 2019. The lease liabilities as at 31 March 2020 were approximately HK\$7.1 million.

Contingent liabilities

As at the close of business on 31 March 2020, the Group did not have any significant contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any loan capital and/or debt securities issued and outstanding or agreed to be issued or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills, if any) or acceptable credits, debentures, mortgage, charges, hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2020.

3. MATERIAL CHANGE

Since the outbreak of COVID-19 in early 2020, the Chinese government has taken a series of precautionary and control measures to contain the disease and stop the spreading of the epidemic. The Group’s production has been negatively affected by the holiday extension and logistics delay across the PRC and the Group recorded a drop in revenue in the first three months of 2020.

Save as disclosed above, the Directors confirm that, as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of the properties held by the Group as at 31 March 2020.



Asset Appraisal Limited
中誠達資產評值顧問有限公司

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No. 145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax: (852) 3521 9591

26 May 2020

The Board of Directors
Century Sunshine Group Holdings Limited
Suite 1104, 11th Floor
Tower 6, The Gateway
9 Canton Road
Tsim Sha Tsui Kowloon
Hong Kong

Dear Sirs,

Re: Valuation of Properties situated in the People's Republic of China (the "PRC")

In accordance with the instructions from **Century Sunshine Group Holdings Limited** (the "**Company**") to value the property interests (the "**Properties**") held by the Company or its subsidiaries (altogether referred to as the "**Group**"), we confirm that we have carried out inspection of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at **31 March 2020** (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the Properties represents its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding title to the Properties. However, we have not verified ownership of the Properties and to ascertain any amendment which may not appear on the copies handed to us.

We have also relied upon the legal opinion issued by the PRC legal advisers, namely (Global Law Office) (the "**PRC Legal Opinion**") on 22 May 2020, to the Company on the relevant laws and regulations in the PRC.

VALUATION METHODOLOGY

Having considered the general and inherent characteristics of the buildings and structures of the properties numbered 1 to 6, we have adopted the depreciated replacement cost (DRC) approach which is an application of the cost approach in valuing specialised properties like the properties under consideration. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation costs and those public utilities connection charges to the Properties. The market value of the land use rights of the Properties has been determined from market-based evidences by analysing similar sales or offerings of comparable land parcels. The underlying theory of this basis is the market value of the appraised property should, at least, be equivalent to the replacement cost of the remaining service potential of the appraised property. In our opinion, the DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market bases.

The values of these properties as determined using cost approach is subject to the test of adequate potential profitability of the business or cash generating unit employing the Properties and other relevant operating assets under the Hong Kong Accounting Standard 36 Impairment of Assets.

For properties numbered 7 to 10, we have adopted the market approach by making use of the comparison method where comparison based on price information of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the Properties are held by the Group by means of long term land use rights granted by the PRC Government, we have assumed that the Group has free and uninterrupted rights to use the Properties for the whole of the unexpired term of land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in holding them. It is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Properties but have assumed that the site areas and the floor areas shown on the documents and official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were last inspected on between 20 April 2020 and 28 April 2020 by Zhou Tong, who is a registered PRC Real Estate Appraiser. We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from earthquakes or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

REMARKS

In valuing the Properties, we have complied with all the requirements contained in Rule 11 of Takeovers Code, Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

All market values of the Properties are denominated in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties, ports and logistics facilities in the PRC.

SUMMARY OF VALUATION

Property	Market value in	Interest	Value of
	existing state as at 31 March 2020 RMB	attributable to the Company as at 31 March 2020 %	property interest attributable to the Company as at 31 March 2020 RMB
Property interests held by the Group for self occupation			
1. Production Base at Zhang Zhuang Village, Qiao Xi Tou Village and Hua Bu Quan Village Luo Zhuang District Linyi City Shandong Province, the PRC (山東省臨沂市羅莊區張莊村、 橋西頭村及花埠圈村電廠路)	129,100,000	100%	129,100,000
2. Production Base at the south of Chang Jiang Boulevard, the north of Zhen Nan Road and the west of Feng Shou Boulevard Rui Chang City Jiangxi Province, the PRC (江西省瑞昌市長江大道南側、 鎮南路北側、豐收大道西側)	63,970,000	100%	63,970,000
3. Production Base at No. 99 Niu Xu Road, Shan Zuo Kou Xiang, Dong Hai Xian, Lianyungang City Jiangsu Province, the PRC (江蘇省連雲港市東海縣山左口鄉 牛徐路99號)	111,200,000	100%	111,200,000

Property	Market value in	Interest	Value of
	existing state as	attributable to	property interest
	at 31 March	the Company as	attributable to
	2020	at 31 March	the Company as
	RMB	2020	at 31 March
		%	2020
			RMB
4. Freight Railway Station at Hong Zhuang Zhen Station Dong Hai Xian, Lianyungang City Jiangsu Province, the PRC (江蘇省連雲港市東海縣洪莊鎮駐地)	13,100,000	100%	13,100,000
5. Production Base at Hu Xia Village, Liu Dao Jiang Zhen Hun Jiang District, Baishan City Jilin Province, the PRC (吉林省白山市渾江區六道江鎮湖下村)	63,000,000	72.31%	45,555,300
6. Production Base at Heavy Industrial Processing Area Hami Heavy Industrial Park Hami City Xinjiang Autonomous Region, the PRC (新疆維吾爾自治區哈密市工業園區重工業加工區)	33,280,000	72.31%	24,064,768
7. House No. 8 Jun Min Lane Tianshan Bei Road, Hami City Xinjiang Autonomous Region, the PRC (新疆維吾爾自治區哈密市天山北路軍民巷)	No commercial value	72.31%	No commercial value

Property	Market value in	Interest	Value of
	existing state as	attributable to	property interest
	at 31 March	the Company as	attributable to
	2020	at 31 March	the Company as
	RMB	2020	at 31 March
		%	2020
			RMB
8. Unit 4 on Level 2, Block 103, Xing Ye Yuan Tianshan Bei Road, Hami City Xinjiang Autonomous Region, the PRC (新疆維吾爾自治區哈密市天山 北路興業園)	340,000	72.31%	245,854
9. Unit No. 1501 on Level 15 and Unit No. 1801 on Level 18 Block No. 8 An Ding Hu Yi Hao at the south of Tong Cheng Boulevard Rui Chang City Jiangxi Province, the PRC (江西省瑞昌市銅城大道南側 安定湖一號)	1,560,000	100%	1,560,000
10. Unit Nos. 1001 and 1003 Block No. 7 Tian Yi Ju Heping Xi Road, Niu Shan Zhen Dong Hai Xian, Lianyungang City Jiangsu Province, the PRC (江蘇省連雲港市東海縣牛山鎮和 平西路天一居)	2,600,000	100%	2,600,000
Grand Total:	418,150,000		391,395,922

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 1	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at Zhang Zhuang Village, Qiao Xi Tou Village and Hua Bu Quan Village Luo Zhuang District Linyi City Shandong Province, the PRC	<p>The Properties occupy a total of 9 contiguous land parcels with a total area of 648,587.58 square metres.</p> <p>The Properties are located approximately 20 kilometres at the southwest of the downtown of Linyi City. Immediate locality of the Properties is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a commercial and residential area.</p> <p>The subject land parcel is accommodating 140 major buildings and structures for administrative office, workshop, warehouse, laboratory, plant room and dormitory uses with a total gross floor area of 140,888.07 square metres completed in between 2001 and 2017.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on between 31 March 2023 and 4 January 2060 for industrial use.</p>	The Properties has been occupied and operated by the Group as the production base of fertilizer. As at the Valuation Date, production activities of the Properties have been halted.	129,100,000

Notes:

- As revealed from 2 sets of Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan Nos. 0040718 and 0041454) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 19,880 square metres together with some of the subject buildings with a total gross floor area of 1,694.31 square metres are held by Shandong Hongri Chemical Joint Stock Company., Ltd. ("Shandong Hongri", 山東紅日化工股份有限公司, a wholly-owned subsidiary of the Company) for industrial use for a land use right term expiring on 12 November 2026.
- As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0042569) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 114,271.55 square metres together with some of the subject buildings with a total gross floor area of 37,605.62 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 31 March 2023.
- As revealed from 2 sets of Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan Nos. 0041451 and 0041808) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 370,597.61 square metres together with some of the subject buildings with a total gross floor area of 91,234.65 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 2 November 2028.

4. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0039485) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 6,812.42 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 2 November 2028.
5. As revealed from 3 sets of Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan Nos. 0038383, 0038384 and 0040580) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 71,558 square metres together with some of the subject buildings with a total gross floor area of 9,211.49 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 29 June 2057.
6. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0038994) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 5,939 square metres together with some of the subject buildings with a total gross floor area of 1,142 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 29 June 2057.
7. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0040148) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 27,047 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 4 January 2060.
8. As revealed from a Real Estate Right Certificate (Ref No. Lu (2017) Lin Yi Shi Bu Dong Chan Quan No. 0040849) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 15,605 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 4 January 2060.
9. As revealed from a Land Use Right Certificate (Ref No. Lin Luo Guo Yong (98) No. 0080) issued by the Municipal Government of Linyi City, land use rights of a portion of the subject site with an area of 16,977 square metres are held by Shandong Hongri for industrial use for a land use right term expiring on 29 September 2028.
10. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
11. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Shandong Hongri has legally acquired the land use rights and the building ownership rights in the Properties.
 - ii. The land use rights are in the nature of granted land with a land use right term expiring on between 31 March 2023 and 4 January 2060 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
 - iii. Shandong Hongri is the sole land use rights and building ownership right holder of the Properties and its interests in the Properties are free from defect.
 - iv. The Properties have been pledged for mortgage.
 - v. Shandong Hongri has legal, valid and complete land use rights and building ownership rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the Properties throughout its unexpired land use right term..

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 2	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 <i>RMB</i>
Production Base at the south of Chang Jiang Boulevard the north of Zhen Nan Road and the west of Feng Shou Boulevard Rui Chang City Jiangxi Province the PRC	<p>The Properties occupy 8 contiguous land parcels with a total area of 533,012.70 square metres.</p> <p>The Properties are located at approximately 23 kilometres at the north of the downtown of Rui Chang City and is lying at the south river bank of the Changjiang River. Immediate locality of the Properties is residential/commercial mixed use in nature intermingling with some industrial establishments for production of chemicals and building materials.</p> <p>The subject land parcel is accommodating 12 buildings and structures for administrative office, workshop, warehouse and plant room uses with a total gross floor area of approximately 51,993 square metres completed in 2017.</p> <p>The land use rights of a portion of the subject land with an area of 407,211.70 square metres have been granted for a term of years expiring on between 24 May 2066 and 12 January 2067 for industrial use. The land use rights of the remaining portion the subject land with an area of 125,801.00 square metres have been granted for unspecified land use right term.</p>	The Properties are currently occupied and operated by the Group as the production base of fertilizer.	63,970,000 (see note 8 & 9 below)

Notes:

- As revealed from a Real Estate Right Certificate (Ref No. Gan (2016) Rui Chang Shi Bu Dong Chan Quan No. 0001244) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 46,832.72 square metres are held by Jiangxi Tianrui Fengshou Chemical Co., Ltd. ("Tianrui Fengshou", 江西天瑞豐收化工有限公司, a wholly-owned subsidiary of the Company) for industrial use for a land use right term expiring on 11 August 2066.
- As revealed from a Real Estate Right Certificate (Ref No. Gan (2016) Rui Chang Shi Bu Dong Chan Quan No. 0000628) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 272,171.28 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 24 May 2066.

3. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000667) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 8,300.00 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 12 January 2067.
4. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000668) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 35,754.50 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 12 January 2067.
5. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000391) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 19,607.80 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 28 November 2066.
6. As revealed from a Real Estate Right Certificate (Ref No. Gan (2017) Rui Chang Shi Bu Dong Chan Quan No. 0000392) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 24,545.40 square metres are held by Tianrui Fengshou for industrial use for a land use right term expiring on 28 November 2066.
7. As revealed from a Real Estate Right Certificate (Ref No. Gan (2018) Rui Chang Shi Bu Dong Chan Quan No. 0010189) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 8,411.12 square metres are held by Tianrui Fengshou for industrial use for an unspecified land use right term.
8. As revealed from a Real Estate Right Certificate (Ref No. Gan (2018) Rui Chang Shi Bu Dong Chan Quan No. 0010190) issued by the Real Estate Title Registration Bureau of Rui Chang City, land use rights of a portion of the subject site with an area of 117,389.88 square metres are held by Tianrui Fengshou for industrial use for an unspecified land use right term. As confirmed via the PRC Legal Opinion, the land use right of this land portion are subject to a closure order for a term of 3 years expiring on 22 September 2022 (please see note 11(v) below). Our valuation of this land portion has been concluded disregarding any adverse impact on the property value arising from the closure order based on the confirmation of the Group that the closure order can be discharged without undermining its interests in the land parcel. For indicator purpose, the market value of the Properties excluding the aforesaid land portion of 117,389.88 square metres is represented by an amount of RMB49,880,000.
9. Building ownership certificate has not yet been issued to the subject buildings. In the absence of building ownership certificate, we have ascribed no commercial value to the subject buildings of the Properties. For indication purpose, subject to the issue of building ownership certificate, the market value of the subject buildings on replacement cost basis is represented by an amount of RMB124,000,000 and such amount has been excluded from the market value of the Properties stated above.
10. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
11. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Tianrui Fengshou has legally acquired the land use rights in the Properties.

- ii. The land use rights are in the nature of granted land with a land use right term expiring in between May 2066 and January 2067 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
- iii. Tianrui Fengshou is the sole land use rights holder of the Properties and its interests in the Properties are free from defect.
- iv. The land use rights of a portion of the subject land with an area of 407,211.70 square metres (as mentioned in note 1 to 6 above) have been pledged for mortgage. The remaining portion of the subject land of the Properties is free from any mortgage loan.
- v. The land use rights of a portion of the subject land with an area of 117,389.88 square metres held by Tianrui Fengshou under the Real Estate Right Certificate (Ref No. Gan (2018) Rui Chang Shi Bu Dong Chan Quan No. 0010190) are subject to a court seizure order for a term of 3 years pursuant to an asset freezing application approved by the Ruichang People's Court on 12 September 2019. During the valid period of the aforesaid court seizure order, Tianrui Fengshou is restricted from transferring, charging or disposing the concerned land portion.
- vi. Subject to the aforesaid court seizure order, Tianrui Fengshou has legal, valid and complete land use rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the Properties throughout its unexpired land use right term. The court seizure order restrained the concerned land portion from being transferred and mortgaged.
- vii. Tianrui Fengshou is applying for the Real Estate Ownership Certificate for the subject buildings and shall be entitled to legal, valid and complete rights to possess, use, transfer, lease and mortgage the subject buildings upon obtaining the building ownership rights.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 3	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at No. 99 Niu Xu Road Shan Zuo Kou Xiang, Dong Hai Xian Lianyungang City Jiangsu Province the PRC	<p>The Properties occupy a land parcel with an area of 222,464.70 square metres.</p> <p>The Properties are located at approximately 30 kilometres at the north-west of the downtown of Dong Hai Xian and 4 kilometres at the north east of the centre of Shan Zuo Kou Xiang. Immediate locality of the Properties is mainly agricultural in nature intermingling with some chemical plants.</p> <p>The subject land parcels is accommodating 3 buildings and structures for workshop, dormitory and plant room uses with a total gross floor area of square metres completed in 18,886.97 square metres.</p> <p>The land use rights of the subject land parcel have been granted for a term of years expiring on 10 June 2057 for industrial use.</p>	The Properties are currently occupied and operated by the Group as the production base of fertilizer.	111,200,000 (Please see note 2 below)

Notes:

- As revealed from a Real Estate Right Certificate (Ref No. Su (2019) Dong Hai Xian Bu Dong Chan No. 0022598) issued by the Municipal Government of Dong Hai Xian, land use rights of the subject land parcel with an area of 222,464.70 square metres together with the 3 subject buildings with a total gross floor area of 18,886.97 square metres are held by Jiangsu Azureblue Technology Development Company Limited (“Jiangsu Azureblue”, 江蘇湛藍科技開發有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 10 June 2057.
- In addition to the aforesaid 3 subject buildings with a total gross floor area of 18,886.97 square metres, there are additional structures used for workshops, warehouses, administrative office, staff dormitories and plant rooms with a total gross floor area of approximately 11,680 square metres are found erected on the subject land parcel. Building ownership certificate has not yet been issued to these additional buildings. In the absence of building ownership certificate, we have ascribed no commercial value to the subject buildings of the Properties. For indication purpose, subject to the issue of building ownership certificate, the market value of the subject buildings on replacement cost basis is represented by an amount of RMB21,440,000 and such amount has been excluded from the market value of the Properties stated above. Jiangsu Azureblue and its related companies have carried out substructure works for revamping of environmental protection systems and fire safety systems and infrastructure construction works within and outside the site boundary of the subject land parcel for supporting their normal courses of production activities. These works have an aggregate net book value of approximately RMB227,800,000 as at 31 December 2019 and such amount has been excluded from the market value of the Properties as mentioned above.

3. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax (VAT) at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Jiangsu Azureblue has legally acquired the land use rights and the building ownership rights in the subject land parcel of the Properties with a land area of 222,464.70 square metres and a total gross floor area of 18,886.97 square metres.
 - ii. Jiangsu Azureblue is the sole land use rights and building ownership right holder of the land parcel as mentioned in (i) above and its interests in the Properties are free from defect.
 - iii. Jiangsu Azureblue has legal, valid and complete land use rights in the subject land parcel with an area of 222,464.70 square metres and legal, valid and complete building ownership rights in the 3 subject buildings with a total gross floor area of 18,886.97 square metres and is allowed to possess, use, transfer, lease and mortgage the subject land parcel and the 3 subject buildings of the Properties throughout its unexpired land use right term.
 - iv. Under the PRC Urban Real Estate Administrative Law (中華人民共和國城市房地產管理法), Jiangsu Azureblue does not have any building ownership rights in those buildings and structures (other than the 3 subject buildings mentioned in 4(iii) above) erected on the subject land parcels without obtaining Real Estate Right Certificate and is not entitled to the rights to transfer, charge or dispose of those buildings and structures. In addition, under the PRC Urban and Rural Planning Law (中華人民共和國城鄉規劃法), anyone who carries out construction work without obtaining Construction Work Planning Permit or without compliant with the planning conditions contained in the Construction Work Planning Permit may expose to the risk of being penalized by the relevant town planning authorities with demolition order or confiscation order towards the buildings and structures or the income generated from them. A fine with an amount not exceeding 10% of the construction costs of the concerned building works may be imposed as well.
5. The replacement cost of the buildings and structures with a total gross floor area of 11,680 square metres that may be subject to demolition order and penalty as mentioned in note 4(iv) above is estimated at RMB21,440,000 as at the Valuation Date. The estimated cost for demolishing the same buildings and structures as at the Valuation Date is approximately RMB175,000.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 4	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Freight Railway Station at Hong Zhuang Zhen Station Dong Hai Xian, Lianyungang City Jiangsu Province the PRC	<p>The Properties occupy a land parcel with a total area of 52,319.20 square metres.</p> <p>The Properties are located at approximately 25 kilometres at the south-west of the downtown of Dong Hai Xian. Immediate locality of the Properties is mainly rural in nature with some agricultural establishments. Various temporary structures are erected on the subject land parcel.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on 10 June 2057 for industrial use.</p>	<p>The Properties are currently occupied and operated by the Group for logistic purpose.</p>	13,100,000

Notes:

1. As revealed from a Land Use Right Certificate (Ref No. Dong Guo Yong (2017) No. 1814062) issued by the Municipal Government of Dong Hai Xian, land use rights of the subject site with an area of 52,319.20 square metres are held by Jiangsu Azureblue Technology Development Company Limited (“Jiangsu Azureblue”, 江蘇湛藍科技開發有限公司, a wholly-owned subsidiary of the Company) for industrial use for a term expiring on 10 June 2057.
2. We have ascribed no commercial value to the temporary structures of the Properties on the ground that they were constructed of short-lived materials and are being used as weather-resisting part of the power supply system within the Properties instead of permanent structures that were subject to planning approval and construction permit.
3. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Jiangsu Azureblue has legally acquired the land use rights in the Properties.
 - ii. The land use rights are in the nature of granted land with a land use right term expiring on 10 June 2057 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
 - iii. Jiangsu Azureblue is the sole land use rights of the Properties and its interests in the Properties are free from defect.
 - iv. The land use rights of the Properties have been pledged for mortgage.
 - v. Jiangsu Azureblue has legal, valid and complete land use rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the land user rights of Properties throughout its unexpired land use right term.
 - vi. Jiangsu Azureblue does not have any building ownership rights in the temporary structures of the Properties.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 5	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at Hu Xia Village Liu Dao Jiang Zhen Hun Jiang District Baishan City Jilin Province the PRC	<p>The Properties occupy a land parcel with an area of 200,000 square metres.</p> <p>The Properties are located approximately 20 kilometres at the south-west of the downtown of Baishan City. Immediate locality of the Properties is mainly industrial in nature where various industrial establishments for magnesium metal processing, chemical and construction material production can be found.</p> <p>The subject land parcel is accommodating 14 major buildings and structures for administrative office, workshop, warehouse, laboratory and plant room uses with a total gross floor area of 20,544.95 square metres completed in 2011.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on 20 November 2056 for industrial use.</p>	The Properties are currently occupied and operated by the Group as a magnesium and magnesium alloy ingot processing plant.	63,000,000

Notes:

- As revealed from a Land Use Right Certificate (Ref No. Bai Shan Guo Yong (2007) No. 060010349) issued by the Land Resources Administration Bureau of Baishan City, the land use rights of subject site with an area of 200,000 square metres were granted to Baishan City Tianan Magnesium Resources Company Limited ("Baishan Tianan", 白山市天安金屬鎂礦業有限公司, a 72.31%-owned subsidiary of the Company) for industrial use for a term expiring on 20 November 2056.
- A total 14 sets of Building Ownership Certificate (Ref Nos. Bai Shan Fang Quan Zheng Bai BQ Zi Nos. 2012000818 to 2012000821 and 2012000825 to 2012000834) in relation to the 14 subject buildings with a total gross floor area of 20,544.95 square metres have been issued in the name of Baishan Tianan .
- Baishan Tianan has carried out infrastructure construction works outside the site boundary of the subject land parcels for supporting its normal course of production activities. These works have an aggregate net book value of approximately RMB86,000,000 as at the Valuation Date and such amount has been excluded from the market value of the Properties as stated above.
- We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the

Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.

5. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:

- i. Baishan Tianan has legally acquired the land use rights and the building ownership rights in the Properties.
- ii. The land use rights are in the nature of granted land with a land use right term expiring in November 2056 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
- iii. Baishan Tianan is the sole land use rights and building ownership right holder of the Properties and its interests in the Properties are free from defect.
- iv. The Properties have been pledged for mortgage.
- v. Baishan Tianan has legal, valid and complete land use rights and building ownership rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the Properties throughout its unexpired land use right term.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 6	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Production Base at Heavy Industrial Processing Area Hami Heavy Industrial Park Hami City Xinjiang Autonomous Region, the PRC	<p>The Properties occupy a land parcel with an area of 679,121.28 square metres.</p> <p>The Properties are located approximately 20 kilometres at the south-west of the downtown of Hami City. Immediate locality of the Properties is mainly industrial in nature where various industrial establishments for mine processing, chemical and construction material production operations can be found.</p> <p>The subject land parcel is accommodating 34 major buildings and structures for administrative office, workshop, warehouse, laboratory and plant room uses with a total gross floor area of 64,419.35 square metres completed in between 2008 and 2014.</p> <p>The land use rights of the subject land have been granted for a term of years expiring on 25 November 2059 for industrial use.</p>	The Properties are currently occupied and operated by the Group as a magnesium and magnesium alloy ingot processing plant.	33,280,000 (see note 2 below)

Notes:

- As revealed from a Land Use Right Certificate (Ref No. Ha Mi Shi Guo Yong (2011) No. 0054) issued by the Land Resources Administration Bureau of China, land use rights of subject site with an area of 679,121.28 square metres were granted to Xinjiang Tengxiang Magnesium Products Company Limited ("Xinjiang Tengxiang", 新疆騰翔鎂製品有限公司, a 72.31%-owned subsidiary of the Company) for industrial use for a term expiring on 25 November 2059.
- Building ownership certificate has not yet been issued to the subject buildings. In the absence of building ownership certificate, we have ascribed no commercial value to the subject buildings of the Properties. For indication purpose, subject to the issue of building ownership certificate, the market value of the subject buildings on replacement cost basis is represented by an amount of RMB80,700,000 and such amount has been excluded from the market value of the Properties stated above. In addition, Xinjiang Tengxiang has carried out infrastructure construction works, substructure work for installation of production equipment within and outside the boundary of the subject site for supporting its normal course of production activities. These works have an aggregate net book value of approximately RMB77,800,000 as at 31 December 2019 and such amount has been excluded from the market value of the Properties stated above.
- We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.

4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
- i. Xinjiang Tengxiang has legally acquired the land use rights in the Properties.
 - ii. Due to historical issues, Xinjiang Tengxiang has not yet obtained the building ownership certificate for the subject buildings.
 - iii. The land use rights are in the nature of granted land with a land use right term expiring on 25 November 2059 for industrial uses. The existing use of the Properties does not violate the permitted use of the Properties.
 - iv. Xinjiang Tengxiang is the sole land use rights holder of the Properties and its interests in the subject land parcel are free from defect.
 - v. The land use rights of the Properties have been pledged for mortgage.
 - vi. Xinjiang Tengxiang has legal, valid and complete land use rights in the Properties and is allowed to possess, use, transfer, lease and mortgage the land use rights throughout its unexpired land use right term. As Xinjiang Tengxiang has not yet obtained the building ownership certificates, it does not secure the legal rights of the subject buildings. In the absence of title proof, the subject building cannot be transferred or mortgaged by Xinjiang Tengxiang. In case where the subject buildings have been built without obtaining prior planning approval, it may expose to the risk of being ordered for demolishing the buildings within prescribed period. If demolition is not feasible, the Government authority may confiscate the buildings, all economic benefits generated from them and / or penalize the land owner an amount of not more than 10% of the construction costs of the buildings.
 - vii. Under the PRC Urban Real Estate Administrative Law (中華人民共和國城市房地產管理法), Xinjiang Tengxiang does not have any building ownership rights in all the buildings and structures erected on the subject land parcels without obtaining Real Estate Right Certificate and is not entitled to the rights to transfer, charge or dispose of those buildings and structures. In addition, under the PRC Urban and Rural Planning Law (中華人民共和國城鄉規劃法), anyone who carries out of construction work without obtaining Construction Work Planning Permit or without compliant to the planning conditions contained in the Construction Work Planning Permit may expose to the risk of being penalized by the relevant town planning authorities with demolition order or confiscation order towards the buildings and structures or the income generated from them. A fine with an amount not exceeding 10% of the construction costs of the concerned building works may be imposed as well.
5. The replacement cost of the buildings and structures with a total gross floor area of 64,419.35 square metres that may be subject to demolition order and penalty as mentioned in note 4(vii) above is estimated at RMB80,700,000 as at the Valuation Date. The estimated cost for demolishing the same buildings and structures as at the Valuation Date is approximately RMB1,000,000.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 7	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
House No. 8 Jun Min Lane Tianshan Bei Road Hami City Xinjiang Autonomous Region the PRC	<p>The Property comprises a 3-storey townhouse completed in around 2000. It is falling within the downtown area of Hami City and immediate locality is mainly residential and commercial in nature.</p> <p>The gross floor area of the Property is 232.05 square metres.</p> <p>The Property have been granted for an unspecified land use right term.</p>	The Property is currently owner-occupied.	No commercial value (see note 2 below)

Notes:

1. Pursuant to a Property Sale and Purchase Agreement dated 28 April 2008 and a Supplement Property Sale and Purchase Agreement dated 14 January 2014, the Property was acquired by Lei Dian Bin (雷殿斌). As confirmed by the Company, Lei Dian Bin was acting as the authorized representative to execute the aforesaid Property Sale and Purchase Agreement on behalf of Xinjiang Tengxiang Magnesium Products Company Limited (“Xinjiang Tengxiang”, 新疆腾翔镁製品有限公司, a 72.31%-owned subsidiary of the Company).
2. As at the Valuation Date, Xinjiang Tengxiang has not yet obtained title certificate for the Property and therefore we have ascribed no commercial value to the Property. For indication purpose, subject to the issue of title certificate such that the Property is freely transferrable, the market value of the Property measured by market approach is represented by an amount of RMB975,000.
3. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Xinjiang Tengxiang has legally acquired the Property.
 - ii. As Xinjiang Tengxiang has not yet obtained the title certificate, it does not secure the legal rights of the Property. In the absence of title proof, the Property cannot be transferred or mortgaged by Xinjiang Tengxiang.
 - iii. The Property was not subject to mortgage, seizure order and other encumbrances as at the date of the PRC Legal Opinion.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 8	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Unit 4 on Level 2 Block 103 Xing Ye Yuan Tianshan Bei Road Hami City Xinjiang Autonomous Region the PRC	<p>The Property comprises a residential unit within a 6-storey residential building completed in around 2000. It is falling within the downtown area of Hami City and immediate locality is mainly residential and commercial in nature.</p> <p>The gross floor area of the Property is 96.98 square metres.</p> <p>The Property have been granted for an unspecified land use right term.</p>	The Property is currently owner-occupied.	340,000

Notes:

1. As revealed from a Building Ownership Certificate (Ref No. Ha Shi Fang Quan Zheng Ha Mi Shi Zi No. 00092365) issued by the Real Estate Administrative Bureau of Hami City, building ownership rights of the Property are held by Xinjiang Tengxiang Magnesium Products Company Limited ("Xinjiang Tengxiang", 新疆腾翔镁製品有限公司, a 72.31%-owned subsidiary of the Company) for residential use for an unspecified land use right term.
2. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
3. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Xinjiang Tengxiang has legally acquired the Property.
 - ii. Xinjiang Tengxiang is the sole owner of the Property and its interests in the Property are free from defect.
 - iii. Xinjiang Tengxiang has legal, valid and complete land use rights in the Property and is allowed to possess, use, transfer, lease and mortgage the land user rights of Property.
 - iv. The Property was not subject to mortgage, seizure order and other encumbrances as at the date of the PRC Legal Opinion.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 9	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Unit No. 1501 on Level 15 and Unit No. 1801 on Level 18 Block No. 8 An Ding Hu Yi Hao at the south of Tong Cheng Boulevard Rui Chang City Jiangxi Province the PRC	<p>The Properties comprises 2 residential units within a 29-storey residential building completed in 2016. It is falling within a residential estate featured with high rise residential towers lying adjacent to the Anding Lake. The development is situated at approximately 5 kilometres at north east of the downtown area of Rui Chang City. Immediate locality is mainly residential in nature.</p> <p>The total gross floor area of the Property is 260.46 square metres.</p> <p>The Properties have been granted for a land use right term expiring on 31 October 2082 for residential use.</p>	The Property is currently owner-occupied.	1,560,000

Notes:

1. As revealed from 2 sets of Real Estate Right Certificate (Ref Gan (2019) Rui Chang Shi Bu Dong Chan Quan Nos. 0005385 and 0005414) issued by the Real Estate Title Registration Bureau of Rui Chang City, the Properties are held by Jiangxi Tianrui Fengshou Chemical Co., Ltd. ("Tianrui Fengshou", 江西天瑞豐收化工有限公司, a wholly-owned subsidiary of the Company) for residential use for a land use right term expiring on 31 October 2082. The property was acquired by Tianrui Fengshou on 1 January 2016 at a total consideration of RMB887,264.
2. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
3. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Tianrui Fengshou has legally acquired the Properties.
 - ii. Tianrui Fengshou is the sole owner of the Properties and its interests in the Properties are free from defect.
 - iii. Tianrui Fengshou has legal, valid and complete land use rights in the Property and is allowed to possess, use, transfer, lease and mortgage the Property.

VALUATION CERTIFICATE

Property interests held by the Group for self occupation

Property No. 10	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2020 RMB
Unit Nos. 1001 and 1003 Block 7 Tian Yi Ju Heping Xi Road Niu Shan Zhen Dong Hai Xian Lianyungang City Jiangsu Province the PRC	<p>The Properties comprises 2 residential units within an 11-storey residential building completed in 2013. It is falling within a residential estate featured with medium rise residential building lying adjacent to the Xi Shuang Lake within the downtown of Dong Hai Xian. Immediate locality is mainly residential in nature.</p> <p>The total gross floor area of the Property is 292.88 square metres.</p> <p>The Properties have been granted for a land use right term of 70 years expiring on 14 December 2076 for residential use.</p>	The Property is currently owner-occupied.	2,600,000

Notes:

1. As revealed from the Real Estate Right Certificate (Ref Lian Fang Quan Zheng Niu Zi Nos. N00061453) issued by the Property Administrative Bureau of Dong Hai Xian, Unit No. 1001 of the Properties is held by Jiangsu Longteng Petrochemical Limited (“Jiangsu Longteng”, 江蘇龍騰化工有限公司, a wholly-owned subsidiary of the Company).
2. As revealed from the Real Estate Right Certificate (Ref. Su (2020) Dong Hai Xian Bu Dong Chan Quan No. 0005319) issued by the Dong Hai Xian Natural Resources Administration and Town Planning Bureau, Unit No. 1003 of the Properties is held by Jiangsu Longteng.
3. We have been advised by the Group that its potential tax liabilities which would arise upon disposal of the Properties include Value Added Tax at 9% on transaction price, Land Appreciation Tax (LAT) at progressive tax rates from 9% to 30% and Corporate Profit Tax at 25% on profit before tax. The exact amount of tax payable upon realization of the Properties in the PRC will be subject to the formal tax advice issued by the relevant tax authorities at the time of their disposal upon presentation of the relevant transaction documents. As confirmed by the Group, the likelihood of the relevant tax liability (arising from the disposal of the Properties at consideration equal to the valuation amounts) being crystallized is remote as the Group has no plan and is not mulling any plan for the disposal of the Properties.
4. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:
 - i. Jiangsu Longten has legally acquired the Properties.
 - ii. Jiangsu Longten is the sole owner of the Properties and its interests in the Properties are free from defect.
 - iii. Jiangsu Longten has legal, valid and complete land use rights in the Property and is allowed to possess, use, transfer, lease and mortgage the Property.
 - iv. The Properties were not subject to mortgage, seizure order and other encumbrances as at the date of the PRC Legal Opinion.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard 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 circular 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 circular misleading.

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

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date was; and (ii) immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other change to the share capital of the Company prior to the allotment and issue of the Conversion Shares) will be, as follows:

(a) Share capital

(i) As at the Latest Practicable Date

	Nominal value per Share	Number of Shares
Authorised:	HK\$0.02	10,000,000,000
Issued and fully paid:	HK\$0.02	4,581,116,843

(ii) Immediately after full conversion of the Convertible Bonds at the initial Conversion Price

	Nominal value per Share	Number of Shares
Authorised:	HK\$0.02	10,000,000,000
Issued and fully paid:	HK\$0.02	4,581,116,843
Conversion Shares to be issued assuming full conversion of the Convertible Bonds at the initial Conversion Price	HK\$0.02	1,600,000,000
Shares in issue upon full conversion of the Convertible Bonds at the initial Conversion Price	HK\$0.02	6,181,116,843

All issued Shares rank equally in all respects with each other, including, rights to dividends, voting rights and return of capital.

The Conversion Shares to be allotted and issued will, when issued and fully paid, rank equally in all respects with the Shares then in issue.

Since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date, the Company had not issued nor agreed to issue any new Shares (other than under the Subscription Agreement upon conversion of the Convertible Bonds).

(b) Share options

Grant date	Exercise price per Share HK\$	Exercise Period	Number of outstanding share options
6 January 2015	0.78258	From 1 November 2015 to 31 October 2020	14,956,204
25 July 2019	0.3	From 1 November 2020 to 30 December 2025	299,900,000
			————— 314,856,204

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

3. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	Closing Price of the Shares HK\$
31 October 2019	0.208
29 November 2019	0.219
31 December 2019	0.225
31 January 2020	0.205
28 February 2020	0.201
31 March 2020	0.169
17 April 2020 (being the Last Trading Day)	0.158
29 April 2020	0.164
22 May 2020 (being the Latest Practicable Date)	0.146

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.229 on 10 December 2019 and HK\$0.146 on 22 May 2020, respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executives of the Company in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meanings of Part XV of the SFO) which were required (i) 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 were deemed or taken to have under the provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares and underlying Shares

Name of Director	Number of Shares held			Total	Number of Shares which may be allotted and issued upon the exercise of options held	Percentage of issued share capital of the Company as at the Latest Practicable Date (Note (1))
	Personal Interests	Spouse Interests	Corporate Interests			
Mr. Chi	249,970,548	—	2,941,871,364 (Notes (2) and (3))	3,191,841,912	20,000,000	69.67% 0.44%
Shum Sai Chit	14,666,305	—	—	14,666,305	20,000,000	0.32% 0.44%
Chi Jing Chao	—	1,633,998	—	1,633,998	8,000,000	0.04% 0.17%
Guo Mengyong	2,625,000	—	—	2,625,000	5,000,000	0.06% 0.11%
Cheung Sound Poon	—	—	—	—	5,000,000	— 0.11%
Sheng Hong	1,775,000	—	—	1,775,000	5,000,000	0.04% 0.11%
Lau Chi Kit	2,000,000	—	—	2,000,000	11,389,145	0.04% 0.25%

Notes:

- (1) Based on 4,581,116,843 Shares in issue as at the Latest Practicable Date.
- (2) Mr. Chi is deemed to be interested in 1,341,871,364 Shares held by Alpha Sino by virtue of his holding of 83.74% of the issued share capital of Alpha Sino.
- (3) Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HKD300 million, which may be converted into 1,600,000,000 Conversion Shares, representing approximately 34.93% and 25.89% of the issued share capital of the Company as at the Latest Practicable Date and immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there being no change in the issued share capital of the Company), respectively. On 18 April 2020, Mr. Chi and Alpha Sino, as chargors, charged 249,970,548 Shares and 792,591,364 Shares, respectively, (representing approximately 5.46% and 17.30 % of the issued share capital of the Company as at the Latest Practicable Date, respectively) to Mr. Lo and Ms. Lee, as chargees, on a joint basis.

(ii) Long position in debentures of the Company

Name of Director	Capacity/Nature of interest	Amount of debentures held <i>Singapore dollar</i>
Mr. Chi	Personal interest	2,500,000

(iii) Interests in the underlying shares of an associated corporation of the Company

Name of Directors	Number of REMT options held	Percentage of issued share capital of REMT as at the Latest Practicable Date
Shum Sai Chit	30,000,000	0.46%
Chi Jing Chao	3,000,000	0.05%
Cheung Sound Poon	5,000,000	0.08%

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (i) 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 he is taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and, so far as is known to the Directors, the persons (other than a Director or chief executive of the Company or their respective associates) or entities who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Name of shareholder	Nature	Number of Shares held	Percentage of issued share capital of the Company as at the Latest Practicable Date
Alpha Sino (<i>Notes 1 and 2</i>)	Long position	1,341,871,364	29.29%
International Finance Corporation (<i>Note 3</i>)	Long position	793,526,275	17.32%
Mr. Lo (<i>Notes 2 and 4</i>)	Long position	1,042,561,912	22.76%
Ms. Lee (<i>Notes 2 and 4</i>)	Long position	1,042,561,912	22.76%
The Subscriber (<i>Note 5</i>)	Long position	1,600,000,000	34.93%

Notes:

- (1) Alpha Sino is owned as to 83.74% by Mr. Chi. Pursuant to a share mortgage agreement (“**Share Mortgage Agreement**”) dated 10 July 2014, Alpha Sino mortgaged 549,280,000 Shares (representing approximately 12% of the issued share capital of the Company as at the Latest Practicable Date) to International Finance Corporation (“**IFC**”) as security for a loan agreement dated 30 May 2014 (as amended and restated on 7 December 2015) entered into between IFC and Baishan City Tianan Magnesium Resources Co. Ltd, a 87.95% owned subsidiary of the Company. The directors of Alpha Sino are Mr. Chi and Mr. Shum Sai Chit.
- (2) On 18 April 2020, Mr. Chi and Alpha Sino as chargors charged 249,970,548 Shares and 792,591,364 Shares, respectively, (representing approximately 5.46% and 17.30% of the issued share capital of the Company as at the Latest Practicable Date, respectively) to Mr. Lo and Ms. Lee as chargees on a joint basis.
- (3) IFC has interest in an aggregate of 793,526,275 Shares, of which (a) 244,246,275 Shares are beneficially owned by it and registered in its name; and (b) 549,280,000 Shares are pursuant to the Share Mortgage Agreement.
- (4) Mr. Lo and Ms. Lee are spouses.
- (5) Mr. Chi is the sole shareholder and sole director of the Subscriber.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director or chief executive of the Company or their respective associates) had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 to the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competes, or may compete, either directly or indirectly, with the businesses of the Group.

6. DIRECTORS' SERVICE CONTRACTS

Mr. Lau Chi Kit (“**Mr. Lau**”), an independent non-executive Director, has entered into an appointment letter dated 27 March 2020 to renew his directorship in the Company for a term of two years with effect from 1 April 2020. The term may be terminated by Mr. Lau by giving three months' prior written notice to the Company. Mr. Lau is entitled to a director's fee of HK\$240,000 per annum and there is no variable remuneration payable under the appointment letter. The terms of such re-appointment are identical with those of the appointment letter for the period from 1 April 2018 to 31 March 2020.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had entered into any service contracts with the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTOR'S INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

8. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

9. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Subscriber or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the outcome of the Subscription, the Specific Mandate and the Whitewash Waiver;
- (b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on/or dependent upon the outcome of the Subscription, the Specific Mandate and the Whitewash Waiver or otherwise connected therewith;
- (c) there were no benefits given or to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription, the Specific Mandate and the Whitewash Waiver; and
- (d) save for the Subscription Agreement with Mr. Chi, being a Director and also the sole shareholder of the Subscriber, no material contract had been entered into by the Subscriber in which any Director has a material personal interest.

10. ADDITIONAL DISCLOSURES UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;
- (b) save for Mr. Chi, being the sole shareholder of the Subscriber, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber during the Relevant Period;
- (c) save as set out in the shareholding structure table in the section headed "Effect on the Shareholding Structure of the Company" in the Letter from the Board in this circular and

in the section headed “Disclosure of Interests” in this appendix, no Director was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and none of the Directors had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

- (d) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, or had dealt for value in any such securities of the Company during the Relevant Period;
- (e) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (f) no fund which was managed on a discretionary basis by any fund manager (other than exempt fund managers) connected with the Company had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and no such persons had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (g) the Directors intend, in respect of their own beneficial shareholdings, to vote in favour of the resolutions to be proposed at the EGM (which they are permitted to vote) to approve the Subscription, the Specific Mandate and the Whitewash Waiver. As disclosed in the Letter from the Board in this circular, Mr. Chi, Mr. Shum Sai Chit, Mr. Chi Jing Chao and Mr. Guo Mengyong will abstain from voting on the relevant resolutions to be proposed to the Independent Shareholders at the EGM in relation to the Subscription, the Specific Mandate and the Whitewash Waiver;
- (h) none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

- (i) according to information provided to the Company by the Subscriber;

The Subscriber has entered into a facility letter with Hang Seng Bank, Limited (the “**Bank**”) for a loan facility of up to HK\$300 million (the “**Facility**”) for financing the investment needs of the Group. The Subscriber intends to utilise the Facility to finance the subscription of the Convertible Bonds at Completion. The Facility is intended to be secured by, among others, a second legal charge over the Convertible Bonds from the Subscriber in favour of the Bank (“**HSB Second Charge over Convertible Bonds**”) which is expected to be entered into at or shortly before Completion. As at the Latest Practicable Date, the terms and conditions of the HSB Second Charge over Convertible Bonds have yet been agreed upon by the parties thereto. In addition, the Facility will also be secured by certain third party security to be granted by Mr. Lo and Ms. Lee (together, the “**Security Providers**”) at or shortly before Completion in favour of the Bank guaranteeing the Subscriber’s obligations under the Facility. In consideration of the grant of such third party security by the Security Providers to the Bank, the Subscriber has provided or procured the provision of various securities in favour of the Security Providers, which include, insofar as the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company are concerned, (a) the Share Charges and (b) a first fixed legal charge over the Convertible Bonds (the “**First Charge over Convertible Bonds**”) on 18 April 2020, and has agreed to procure Alpha Sino to provide (c) a share charge over 549,280,000 Shares (“**Alpha Sino Further Shares**”) upon the release of the Share Mortgage Agreement (the “**Alpha Sino Share Charge**”) (collectively, the “**Charges over Relevant Securities**”);

Pursuant to the Charges over Relevant Securities, the respective chargor thereunder charged or will charge (as the case may be) and assigned or will assign (as the case may be) to the Security Providers by way of security, among other things, the rights, titles, benefits and interests of the respective chargor in the Convertible Bonds, the Charged Shares and the Alpha Sino Further Shares (as the case may be), as continuing security for, among others, the due and punctual payment and discharge of all obligations and liabilities owed by the Subscriber, Mr. Chi and/or Alpha Sino to the Security Providers in connection with the Security Providers’ provision of the third party security;

Under the Charges over Relevant Securities, the Security Providers shall be entitled to declare all or any part of the security created thereunder enforceable and, among other things, exercise their power to dispose of all and any of the Convertible Bonds, the Charged Shares and the Alpha Sino Further Shares which are subject to the relevant Charge over Relevant Securities if the Bank gives notice of the occurrence of any breach or default under or in connection with the Facility and the Bank either demands repayment of the Facility or takes any step to enforce any of the third party security granted by the Security Providers. In addition, upon any of the Charges over Relevant Securities becoming enforceable, the Security Providers may exercise rights and enjoy benefits attaching to the Convertible Bonds, the Charged Shares and the Alpha Sino Further Shares (as the case may be), including but not limited to voting rights and rights to receive dividends. Under such circumstances, a mandatory general offer obligation may be triggered on the part of the Security Providers and/or their assignees. The Security Providers have confirmed to the Company that, in such event, the Security Providers will, and will procure their assignees to, comply with the relevant requirements under the Takeovers Code;

The Security Providers may assign or transfer any of their rights or obligations under the Charges over Relevant Securities with the prior consent of the respective chargor (which shall not be unreasonably withheld or delayed);

In view of the Security Providers providing the third party security for the purpose of the Facility, the Security Providers are considered as providing financial assistance to the Subscriber in connection with the Facility for the Subscription. Accordingly, the Security Providers are presumed to be acting in concert with the Subscriber under class (9) presumption under the definition of “acting in concert” under the Takeovers Code. As at the Latest Practicable Date, save for the aforementioned Security Documents, none of the Security Providers was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Mr. Lo is a certified public accountant and Ms. Lee is an entrepreneur and they are spouses. Mr. Lo arranged and participated in part in the making of an unsecured loan advance of approximately HK\$20 million to the Company in June 2019 for the general working capital purposes of the Company which remained outstanding as at the Latest Practicable Date. Save for the aforesaid loan advance and as the Security Providers for the Subscriber and/or Mr. Chi in respect of the Facility of the Bank for financing the Subscription at Completion, Mr. Lo and Ms. Lee do not have any other relationship with the Company or connected persons of the Company.

11. MATERIAL CONTRACTS

Save for the contracts set out below, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

- (a) the call option agreement dated 13 December 2019 entered into between (i) the Company and Ming Xin Developments Limited (a substantial shareholder of REMT and an indirect wholly-owned subsidiary of the Company) as grantors (the “**Grantors**”) and (ii) Mega Prime Development Limited (“**Mega Prime**”) as optionee, pursuant to which the Grantors conditionally agreed to grant to Mega Prime the right and option to acquire all or part of 200,000,000 shares of REMT (the “**Option Share(s)**”) at the exercise price of HK\$0.35 per share of REMT for each Option Share;
- (b) the note purchase agreement dated 13 December 2019 (the “**Note Agreement**”) entered into between REMT, as issuer and warrantor, and Mega Prime as investor, pursuant to which REMT has conditionally agreed to issue to Mega Prime, and Mega Prime has conditionally agreed to subscribe for, the 6% secured note with an aggregate principal amount of HK\$100,000,000;

- (c) a deed of corporate guarantee dated 13 December 2019 given by the Company in favour of Mega Prime to guarantee the obligations of REMT under the Note Agreement;
- (d) the sale and purchase agreement dated 3 July 2018 entered into between Group Sense (International) Limited (now renamed as REMT) as vendor and Croydon Capital Advisors Limited as purchaser with respect to the sale and acquisition of the entire issued share capital in Group Sense (S.E.A.) Limited (“GSSEA”) and Group Sense Investment Limited (“GSIL”) and the total amount outstanding and owing by GSSEA and GSIL to Group Sense (International) Limited for a consideration of HK\$70 million; and
- (e) the Subscription Agreement.

12. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

13. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
BaoQiao Partners Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Pelican Financial Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Asset Appraisal Limited	an independent property valuer

The above experts have given, and have not withdrawn, their written consents to the issue of this circular with the inclusion herein of their letters, reports and/or opinion in the form and context in which it is included and the references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts did not have any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

14. GENERAL

- (i) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (ii) The company secretary of the Company is Mr. Luk Sai Wai, Simon, who is a fellow member of The Institute of Chartered Accountants in England and Wales, an associate member of Hong Kong Institute of Certified Public Accountants, and a member of Society of Registered Financial Planners, Hong Kong.
- (iii) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iv) The principal place of business of the Company in Hong Kong is at Suite 1104, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (v) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vi) The ultimate beneficial shareholder and the sole director of the Subscriber is Mr. Chi and the principal members of the Subscriber's concert group include Mr. Chi and Alpha Sino.
- (vii) The registered office of the Subscriber is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (viii) The ultimate controlling shareholder of Alpha Sino is Mr. Chi and its directors comprise Mr. Shum Sai Chit and Mr. Chi. The correspondence address of Alpha Sino is Suite 1104, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (ix) The correspondence address of Mr. Chi is Suite 1104, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: (i) at the principal place of business of the Company in Hong Kong at Suite 1104, 11th Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours (9:00 a.m. to 6:00 p.m.) on any Business Day; and (ii) on the websites of the Company (<http://www.centurysunshine.com.hk>) and the SFC (<http://www.sfc.hk>), from the date of this circular up to and including the date of EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the memorandum and articles of association of the Subscriber;
- (iii) the annual reports of the Company for the two financial years ended 31 December 2018 and 2019;

- (iv) the letter from the Board, the text of which is set out on pages 6 to 25 of this circular;
- (v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 26 and 27 of this circular;
- (vi) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 54 of this circular;
- (vii) the property valuation report prepared by Asset Appraisal Limited, the text of which is set out in Appendix II of this circular;
- (viii) the written consents referred to in the section headed “Qualifications and Consents of Experts” in this appendix;
- (ix) the appointment letter referred to in the paragraph headed “Directors’ Service Contracts” in this appendix;
- (x) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (xi) the Subscription Agreement;
- (xii) the facility letter in relation to the Facility referred to in the paragraph headed “Additional Disclosures under the Takeovers Code” in this appendix;
- (xiii) the Share Charges referred to in the paragraph headed “Additional Disclosures under the Takeovers Code” in this appendix;
- (xiv) the First Charge over Convertible Bonds referred to in the paragraph headed “Additional Disclosures under the Takeovers Code” in this appendix; and
- (xv) this circular.

Subject to the other terms and conditions of the Convertible Bonds, set out below are the adjustment events under the terms and conditions of the Convertible Bonds:

- (i) *consolidation, subdivision or reclassification of Shares*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (ii) *capitalisation of profits or reserves*:

- (a) If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, (other than (1) where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend or (2) where the Shareholders may elect to receive a cash dividend in lieu of Shares (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a capital distribution (a “**Scrip Dividend**”), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (b) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate Current Market Price (as defined in the terms and conditions of the Convertible Bonds) preceding the date of announcement of the terms of such issue of such Shares multiplied by the number of such Shares to be issued, exceeds the amount of the Relevant Cash Dividend or the relevant part thereof, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{B + C}$$

where:

- A is the number of Shares in issue immediately before such Scrip Dividend;
- B is the number of Shares which the Relevant Cash Dividend would purchase at such Current Market Price; and
- C is the number of Shares to be issued pursuant to such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, on such record date.

- (iii) *capital distribution*: If and whenever the Company shall pay or make any Capital Distribution (as defined in the terms and conditions of the Convertible Bonds) to the Shareholders (except where the Conversion Price falls to be adjusted under (ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share preceding the date on which the Capital Distribution is publicly announced; and
- B is the fair market value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made or if a record date is fixed therefor, immediately after such record date.

For the avoidance of doubt, Capital Distribution excludes all cash distributions paid to the Shareholders.

- (iv) *rights issues of Shares or options over Shares*: If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 % of the Current Market Price per Share preceding the date of the announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants (as the case may be).

- (v) *rights issues of other securities*: If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the issue or grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share preceding the date on which such issue or grant is publicly announced; and
- B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants (as the case may be).

- (vi) *issues at less than Current Market Price*: If and whenever the Company shall issue (otherwise than as mentioned in (iv) above) any Shares (other than Shares issued on the exercise of conversion rights attaching to the Convertible Bonds or on the exercise of the Options granted by the Company pursuant to its employee share option schemes, or any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise than as mentioned in (iv) above and other than the options granted by the Company pursuant to its employee share option schemes) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 95% of the Current Market Price preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for such additional Shares to be issued or otherwise made available or, as the case may be, upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and
- C is the maximum number of additional Shares issued or the maximum number of Shares that may be issued upon exercise of such options, warrants or rights.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

- (vii) *other issues at less than Current Market Price*: Save in the case of an issue of securities arising from a conversion or exchange of other existing securities in accordance with the terms applicable to such existing securities themselves falling within this paragraph, if and whenever the Company or any member of the Group (excluding REMT Group) (otherwise than as mentioned in (iv), (v) or (vi) above) or (at the direction or request of or pursuant to any arrangements with the Company or any member of the Group (excluding REMT Group)) any other company, person or entity (otherwise than as mentioned in (iv), (v) or (vi) above) shall issue any securities (other than the Bonds and the Options granted by the Company pursuant to its employee share option schemes) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for or purchase of, or to otherwise acquire, Shares issued or to be issued by the Company or securities which by their terms may be redesignated Shares receivable upon conversion, exchange, subscription or redesignation at a consideration per Share which is less than 95% of the Current Market Price preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue or grant (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purpose of, or in connection with, such issue, less the number of Shares so issued);
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued or otherwise made available upon conversion or exchange or on exercise of the right of subscription or purchase or acquisition attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued or otherwise made available upon conversion or exchange of such securities or on the exercise of such rights of

subscription or purchase or acquisition attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Shares to be issued or to arise or to be made available from any such redesignation.

Such adjustment shall become effective on the date of issue of such securities.

(viii) *modification of rights of conversion, etc.*: If and whenever there is any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in (vii) above (other than in accordance with the existing terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95% of the Current Market Price preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purpose of, or in connection with, such issue, less the number of Shares so issued);
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange, subscription or purchase price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription or purchase price or rate but giving credit in such manner as two leading investment banks of international repute (acting as experts), selected by the Company and approved by the holder(s) of the Convertible Bonds (“**Bondholder(s)**”), consider appropriate (if at all) for any previous adjustment under this (viii) or (vii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

- (ix) *other offers to Shareholders*: If and whenever the Company or any member of the Group (excluding REMT Group) or (at the direction or request of or pursuant to any arrangements with the Company or any member of the Group (excluding REMT Group)) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally (meaning for these purposes the holders of at least 50% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under (iv), (v), (vi) or (vii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share preceding the date on which such issue is publicly announced; and
- B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities.

- (x) *other events*: If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in any other provisions of this anti-dilution adjustment provision which in either case have or would have an effect on the position of the Bondholders as a class compared with the position of the holders of all the securities (and options, rights and warrants relating thereto) of the Company, taken as a class, which is analogous to any of the events referred to in (i) to (ix) (including any demerger, spin-off or similar arrangement in respect of any business of the Company and the Group (excluding REMT Group)), then, in any such case, the Company shall at its own expense request two leading investment banks of international repute (acting as experts), selected by the Company and approved by the Bondholders, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination provided that where the circumstances giving rise to any adjustment pursuant to this anti-dilution adjustment provision have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this anti-dilution adjustment provision as may be advised by two leading investment banks of international repute (acting as experts), selected by the Company and approved by the Bondholders, to be in their opinion appropriate to give the intended result.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Century Sunshine Group Holdings Limited (the “**Company**”) will be held at Suite 1104, 11/F, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 18 June 2020 at 4:00 p.m., for the following purpose of considering and, if thought fit, passing with or without modifications, the following resolutions. Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as those defined in the circular of the Company dated 26 May 2020 (the “**Circular**”).

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Subscription Agreement, the execution, consummation and completion thereof and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds), as more particularly described in the Circular and on the terms and conditions of the Subscription Agreement (a copy of the Subscription Agreement being tabled at the meeting and marked “A” by the chairman of the meeting for identification purpose), be and are hereby approved, ratified and confirmed;
- (b) conditional upon the Listing Committee having granted approval for the issue of the Convertible Bonds and the listing of, and permission to deal in, the Conversion Shares, the Directors be and are hereby granted the Specific Mandate to exercise the powers of the Company to allot and issue the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds, and the Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted prior to the passing of this resolution; and

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- (c) any one Director be and is hereby authorised, for and on behalf of the Company, to complete and do all such acts or things (including signing and executing all such documents, instruments and agreements as may be required, including under seal where applicable) as the Company, such Director or, as the case may be, the Board may in his/its absolute discretion consider necessary, desirable, expedient or in the interest of the Company to give effect to the terms of the matters contemplated under the Subscription Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.”

SPECIAL RESOLUTION

2. “THAT

- (a) subject to and conditional upon the passing of ordinary resolution no. 1 and the granting of a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and any conditions that may be imposed thereon, the waiving of any obligation on the part of the Subscriber/Mr. Chi to make a mandatory general offer to acquire all the securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it under Rule 26 of the Takeovers Code as a result of the allotment and issue of the Conversion Shares be and is hereby approved; and
- (b) any one Director be and is hereby authorised, for and on behalf of the Company, to complete and do all such acts or things (including signing and executing all such documents, instruments and agreements as may be required, including under seal where applicable) as the Company, such Director or, as the case may be, the Board in his/its absolute discretion may consider necessary, desirable, expedient or in the interest of the Company to give effect to the matters contemplated under the waiver granted in (a) above and all other matters incidental thereto or in connection therewith.”

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

Hong Kong, 26 May 2020

Notes:

- (1) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

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- (3) A form of proxy for use at the EGM is enclosed herewith. In order to be valid, the completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).
- (4) Completion and return of the form of proxy will not preclude members from attending and voting in person at the EGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the Share(s) shall be accepted to the exclusion of the votes of the other joint registered holders.
- (6) The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be the close of business on Wednesday, 17 June 2020. For the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 17 June 2020.
- (7) To safeguard the health and safety of Shareholders and prevent the spread of the coronavirus (COVID-19) pandemic, the following measures will be implemented at the EGM:
 - Each attendee will be required to undergo a mandatory body temperature check and sign a health declaration form before entering the EGM venue. Any person with a body temperature above 37.4 degree Celsius, or is exhibiting flu-like symptoms, may be denied entry into the EGM venue or be required to leave the EGM venue.
 - Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times, and maintain a safe distance between seats. Any person who does not comply with this requirement will be required to leave the EGM venue.
 - No refreshments will be served at the EGM, and there will be no corporate gifts.

The Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights and would like to encourage Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM, instead of attending the EGM in person.

If Shareholders choosing not to attend the EGM in person have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company via the investor relations manager of the Company as follows:

Suite 1104, 11th Floor, Tower 6, The Gateway
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong
Fax: (852) 2802 2697
E-mail: ir@centurysunshine.com.hk

