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)
(HKEX Stock Code: 509)

DEFAULT IN REDEMPTION OF SGD101.75 MILLION 7.00% SUBORDINATED NOTES

(SGX: N200703; ISIN: SG7CG8000008)

UPDATE OF FINANCIAL POSITION AND OPERATIONS OF THE GROUP AND POSSIBLE DEBT RESTRUCTURING

RESUMPTION OF TRADING

- The Company has defaulted on the redemption of the SGD101.75 million in principal amount of the Notes on their maturity on 3 July 2020, as the Company has not been successful in refinancing the Notes. The Company has received demands for repayment of borrowings from certain creditors, as disclosed below.
- Based on the unaudited management accounts of the Group and the Company (as an individual entity) as at 31 March 2020, the Group and the Company had both total assets and current assets exceeding total liabilities and current liabilities respectively. However, the cash and cash equivalents of the Company amount to approximately HK$33.33 million only as at that date. Further financial and operational information of the Group and the Company is set out below.

- In order to facilitate a restructuring of its debts with the benefit of a statutory moratorium prohibiting the commencement or continuance of any proceedings against the Company without the leave of court, the Company has applied to the Supreme Court of the Cayman Islands for the appointment of "light touch" joint provisional liquidators. REMT, the Hong Kong listed subsidiary of the Company, has also made a similar application to the Supreme Court of Bermuda for the same purpose.

- Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 2 July 2020 pending the issue of this announcement. Application has been made for the resumption of trading in the Shares with effect from 9:00 a.m. on 6 July 2020.

This announcement is made by Century Sunshine Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company refers also to its announcement dated 12 June 2020 (the "**Announcement**") in relation to, among other things, update on the connected transaction in relation to the subscription for convertible bonds under specific mandate. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Payment defaults by the Group

As disclosed in the Announcement, the SGD101.75 million (equivalent to approximately HK$563.56 million*) 7.00% subordinated notes (the "**Notes**") issued by the Company and listed on the Singapore Stock Exchange would mature on 3 July 2020. The Notes are guaranteed by key subsidiaries of the Company incorporated outside Mainland China (as defined below) excluding the Company's 72.31% owned subsidiary, Rare Earth Magnesium Technology Group Holdings Limited ("**REMT**", together with its subsidiaries, the "**REMT Group**") whose shares are listed on the Main Board of the Stock Exchange (stock code: 601). Notwithstanding the Company's efforts, it was not able to refinance the Notes and as a result, the Company did not have adequate cash to, and did not proceed with the payment to the Trustee (as defined in the Amended Trust Deed) on 2 July 2020 for the redemption of the Notes on their maturity on 3 July 2020. When it fails to do so (the "**Payment Default**"), pursuant to the terms of the Amending and Restating Trust Deed dated 9 May 2017 ("**Amended Trust Deed**"), the Trustee (as defined in the Amended Trust Deed) at its discretion may, and if so requested in writing by the holders of the Notes of not less than 25.0% in principal amount of the Notes then outstanding or if so

directed by an extraordinary resolution of the meetings of the noteholders (subject in each case to being indemnified or secured or pre-funded to its satisfaction) shall, give notice to the Company that the Notes are and they shall immediately become due and repayable at its Early Redemption Amount (as defined in the Amended Trust Deed) together with accrued interest (if appropriate).

On 24 June 2020 and 30 June 2020, the Company has received, demands from two of its bank creditors for the repayment of borrowings of the Company and its subsidiary guaranteed by the Company of approximately HK$51.00 million plus interest accrued. The Company believes that it is likely to receive further calls from its creditors following the Payment Default and the issue of this announcement.

The Group's debt profile

Other than the Notes, as at 30 June 2020, the total principal amount of outstanding offshore borrowings of the Group (i.e. borrowings of members of the Group that are incorporated outside of the People's Republic of China, excluding Hong Kong, Macau and Taiwan ("**Mainland China**")) amounted to approximately HK$675.66 million, comprising loans and unlisted bonds; and the total principal amount of outstanding onshore borrowings (being borrowings of members of the Group that are incorporated in Mainland China) amounted to approximately HK$818.83 million, comprising outstanding bank loans of approximately RMB712.40 million (equivalent to approximately HK$776.73 million*) and outstanding loan from a financial institution of approximately US$5.44 million (equivalent to approximately HK$42.10 million*). The Company is also a corporate guarantor for certain borrowings of its subsidiaries.

The Payment Default constitutes an event of default under certain borrowings of the Group and certain debts are immediately payable on demand in accordance with their terms. The proposed appointment by the Company of "light touch" provisional liquidators to facilitate a restructuring (see below) will also constitute an event of default under the terms of certain borrowings of the members of the Group.

The Group's financial position

Based on the unaudited management accounts of the Group as at 31 March, 2020, the Group had unaudited total assets of approximately HK$7,437.41 million (including unaudited current assets of approximately HK$2,433.62 million of which cash and cash equivalents comprised approximately HK$470.19 million) and unaudited total liabilities of approximately HK$3,240.79 million (including unaudited current liabilities of approximately HK$2,317.09 million). However, based on the Company's unaudited management accounts as at 31 March, 2020, the Company (on a single company basis) had unaudited total assets of approximately HK$2,304.45 million (including unaudited current assets of approximately HK$2,301.96 million,

of which over 98% were amounts due from subsidiaries and approximately HK$33.33 million was cash and cash equivalents) and unaudited total liabilities of approximately HK$870.63 million (including unaudited current liabilities of approximately HK$734.73 million of which over 96% represented borrowings of the Company). As at 30 June 2020, the cash position of the Company has reduced to approximately HK$0.24 million after financing its operations and those of its subsidiaries.

Debt restructuring

The Company is exploring options to restructure the Group's debts and proposes to implement a management led restructuring by taking advantage of the court-supervised provisional liquidation regime in the Cayman Islands, commonly known as a "light touch" provisional liquidation. This process would give the Company the benefit of a statutory moratorium prohibiting the commencement or continuance of any proceedings against the Company without the leave of the Supreme Court of the Cayman Islands. Accordingly, a winding up petition has been filed on 2 July, 2020 (Cayman Islands time) to the Supreme Court of the Cayman Islands on behalf of the Company together with an application for the appointment of joint provisional liquidators on a "light touch" basis that the Board will retain management of the Company while the joint provisional liquidators will work alongside the Company's management to, amongst other things, monitor, supervise, and oversee the implementation of a group-wide holistic and coordinated restructuring of its debts and liabilities including to maintain the listing of the Company on the Stock Exchange. A similar application is being made on behalf of REMT to the Supreme Court of Bermuda as disclosed in its announcement today ("**REMT Announcement**").

The Company currently contemplates a restructuring that may involve some or all of the following:

(i) subject to the successful appointment of "light touch" provisional liquidators of the Company, to file also for the appointment of provisional liquidators to key subsidiaries of the Company incorporated in the British Virgin Islands to minimise the risk of a disorderly breakup and liquidation of the entire group as creditors seek to enforce their loans or guarantees against those subsidiaries;

(ii) equity restructuring to facilitate the raising of cash for the Company from third party investors through equity issue;

(iii) a debt restructuring that may involve refinancing and/or a compromise or arrangement of the debts and liabilities of the Group;

(iv) potential investment in REMT from one or more third party investor(s) to facilitate raising of cash for REMT and potential disposal of non-core business and non-operating fixed assets of the Group; and/or

(v) implementation of further cost control measures on capital investments, production and administrative operations to reduce overall operating costs of the Group.

However, the Company will require additional time to further develop a viable restructuring proposal. In this regard, the Company has been in active discussions with a third party that is not a connected person of the Company (within the meaning of the Listing Rules) who has expressed an interest in participating alone and/or with other investors in paragraphs (ii) to (v) above. No agreement in principle or otherwise has yet been entered into between the Company and that party or any other potential investor with respect to the restructuring proposal.

Operations of the Group

Historically, the Group has enjoyed strong growth and profitability over a number of years in its fertiliser business, metallurgical flux business and magnesium product business. The magnesium product business is conducted by REMT Group. However, COVID-19 outbreak and related government epidemic prevention and control measures in Mainland China has led to key businesses either not operating or only operating on a limited basis for an extended period of time or impeded delivery logistics. These conditions had resulted in slower orders and longer receivable collection cycles and has led to a material reduction in the Group's profitability and liquidity in the first half of 2020. This, coupled with the uncertainties of the development and the effects of COVID-19 and the rising tensions between the United States of America ("**US**") and Mainland China have adversely affected the Company's ability to refinance the Notes and other borrowings, leading to the Payment Default.

An update of the business operations of the Group as at the date of this announcement is set out below.

Fertiliser Business

The fertiliser business of the Group (the "**Fertiliser Business**") involves the manufacture and sale of fertiliser products in Mainland China.

The Fertiliser Business reported revenue of approximately HK$2,735.20 million and approximately HK$3,053.18 million, which represented approximately 63.40% and approximately 65.59% of the total revenue of the Group for the years ended 31 December 2019 and 2018 respectively. As disclosed in the annual report of the Company for the year ended 31 December 2019, the implementation of Relocation to Parks from Cities by Shandong Hongri (see "Other Updates" in this announcement)

resulted in the consolidation of the Group's production capacity from Shandong to the production bases of Jiangsu and Jiangxi in Mainland China and had led to the decrease in the Group's production volume of fertiliser products by approximately 15.1% for the year ended 31 December 2019.

Since the outbreak of COVID-19 in early 2020, the production and sale of the Fertiliser Business has been negatively affected by the holiday extension and logistics delay across Mainland China. Sales fell since early 2020 as some of the Group's customers have cut back on their orders and/or delay shipment of sales orders due to market uncertainties as to the impact of COVID-19, and resulted in reduced operating cash flow of the Fertiliser Business. The Group is in negotiation with its customers and may adjust its production scale and products mix in response to the sales demand of the fertiliser products with a view to enhance production efficiency and minimise any negative impact to the profitability of the Fertiliser Business. As a liquidity preserving measure, for the time being, the Group will suspend the investment in the expansion of production capacity and other significant capital expenditures except for expenditures for repairs and maintenances associated with production operations.

The Fertiliser Business is generally funded by the Group's working capital and the trade finance facilities in Mainland China and, as at the date of this announcement, the Group has sufficient working capital to maintain its business operations. Nevertheless, the ability of the Group to meet the financial obligations associated with the Fertiliser Business in the future will depend on business performance of the Fertiliser Business and the impact of the Group's financial difficulties and the Payment Default to the Fertiliser Business.

Metallurgical Flux Business

The metallurgical flux business of the Group (the "**Metallurgical Flux Business**"), which accounted for approximately 1.48% and approximately 1.38% of the total revenue of the Group for the years ended 31 December 2019 and 31 December 2018 respectively, represents the sale of surplus serpentine from the Group's serpentine mine in Jiangsu Province in Mainland China as metallurgical flux to domestic iron and steel enterprises.

The Board is of the view that the Metallurgical Flux Business is an ancillary business unit to the Fertiliser Business, which is low capital intensity and the operation of which is largely independent of the business cycle of the Fertiliser Business, and is generally unaffected by the Group's recent financial difficulties.

Magnesium Product Business

The magnesium product business of the Group (the "**Magnesium Product Business**"), which accounted for approximately 35.12% and approximately 33.03% of the total revenue of the Group for the years ended 31 December 2019 and 31 December 2018 respectively, is operated under REMT Group, the operations of which are independent of and segregated from the Company.

As disclosed in the REMT Announcement, the Payment Default constitutes an event of default of certain borrowings of REMT and a winding up petition has been filed on behalf of REMT to the Supreme Court of Bermuda with accompanying application for the appointment of "light touch" joint provisional liquidators to facilitate a restructuring.

Based on the REMT Announcement, REMT Group's operations have been conducted in the usual manner. Its business, however, has been negatively impacted by the global outbreak of COVID-19 and the rising tension of Mainland China and US relations, resulting in decreasing sales and liquidity. REMT keeps in close contact with its customers and suppliers to promptly adjust its production plan and enhance the production efficiency and continues to closely monitor its cashflow position, including the implementation of cost control measures to suspend capital expenditures investments, to preserve liquidity in response to the market uncertainties and impact of the loan defaults.

Based on the unaudited management accounts of REMT Group as at 31 March 2020, the REMT Group had unaudited total assets of approximately HK$2,437.43 million (including unaudited current assets of approximately HK$828.70 million of which cash and cash equivalents comprised approximately HK$153.84 million) and unaudited total liabilities of approximately HK$1,085.97 million (including unaudited current liabilities of approximately HK$428.29 million).

Further details on the business, financial and debt positions of REMT have been disclosed in the REMT Announcement.

Customers and suppliers

Currently, the relationship between the Group and its customers and suppliers remains largely stable. The Group is actively engaging with its customers and suppliers and seeking their understanding and support of the current financial condition of the Group.

Employees and factory production

Save for the Relocation to Parks from Cities (as defined below) by Shandong Hongri as disclosed in the paragraph headed "Other Updates — Relocation to Parks from Cities by Shandong Hongri" in this announcement, the Group's production activities have been conducted in the usual manner and the Group currently does not have any plan to effect large-scale redundancy to its labour force.

The Group will focus on improvements in operational and cost efficiency and effectiveness of its production operations and the Group may time to time review and adjust the production scale as well as its workforce requirements in response to the market uncertainties and the impact of the Payment Default.

Business prospect

The Group 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. The Directors believe that China has put in place a policy environment which is conducive for the development of green agriculture and it provides a broad market space for the sustainable development of the Group's green ecological fertiliser business, following the stabilisation of the Group's liquidity challenges in light of the developments disclosed in this announcement.

In respect of the Magnesium Product Business, as disclosed in the REMT Announcement, the directors of REMT are confident with the business prospect of the Magnesium Product Business in light of the market demand for the development of 5G and lightweight automobile.

Other Updates

Relocation to Parks from Cities by Shandong Hongri

As disclosed in the Company's annual reports for the years ended 31 December 2018 and 2019 and the Company's announcement dated 23 July 2019, Shandong Hongri Chemical Joint Stock Company Limited ("**Shandong Hongri**"), which is principally engaged in the Fertiliser Business, initiated the implementation of the "Relocation of Industries from City Urban Area to Industrial Parks (退城入園)" plan ("**Relocation to Parks from Cities**") in accordance with the requirements of the Shandong Provincial Government, pursuant to which, Shandong Hongri can use the land where the plant is located (the "**Land**") for independent development after obtaining approval for changing the use of the Land from industrial use to commercial use. The Company's plan remains to change the use of the Land to commercial use, subject to the approval of relevant authorities in Mainland China.

In order to implement the Relocation to Parks from Cities, the Group has transferred its production capacity from Shandong to the production bases of Jiangsu and Jiangxi in Mainland China and been resettling its employees so that they can work in the other production bases of the Group or, for those who voluntarily give up the resettlement option, the Group will provide a monetary compensation in accordance with the relevant laws and regulations in Mainland China.

Termination of the Subscription Agreement

The Company has terminated the Subscription Agreement (as defined in the Company's circular dated 26 May 2020). For details, please refer to the Company's announcement dated 3 July 2020.

The Company will make further announcement(s) in accordance with the Listing Rules as and when necessary or appropriate in relation to any material developments in relation to the matters disclosed above in this announcement.

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

Resumption of trading

Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 2 July 2020 pending the issue of this announcement. Application has been made for the resumption of trading in the Shares with effect from 9:00 a.m. on 6 July 2020.

By Order of the Board
Century Sunshine Group Holdings Limited
Shum Sai Chit
Exeuctive Director

Hong Kong, 3 July 2020

As at the date of this announcement, the Directors are:

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

* *For the purpose of this announcement, the translations of SGD to HK$, RMB to HK$ and US$ to HK$ are based on the respective exchange rate of SDG$1 =HK$5.5387, RMB1 = HK$1.0902 and US$1 = HK$7.739 and are provided for illustration purpose only.*