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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)**

權智集團  
**GroupSense**

**GROUP SENSE (INTERNATIONAL) LIMITED**

權智(國際)有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 601)**

**VERY SUBSTANTIAL DISPOSAL**

**VERY SUBSTANTIAL ACQUISITION  
AND  
CONNECTED TRANSACTIONS**

**JOINT ANNOUNCEMENT**

**REORGANISATION PLAN**

**INVOLVING DIRECT AND INDIRECT SHAREHOLDINGS IN  
CHINA RARE EARTH MAGNESIUM TECHNOLOGY HOLDINGS LIMITED**

**Financial Advisor**

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橋  
BAOQIAO PARTNERS

**BAOQIAO PARTNERS CAPITAL LIMITED**

## **INTRODUCTION**

The CS Board and the GS Board jointly announce a plan of Reorganisation that on 1 September 2017,

- (1) CIIL (as vendor), the GS Purchaser (as purchaser), Century Sunshine and Group Sense entered into the CIIL SPA pursuant to which CIIL has conditionally agreed to sell, and the GS Purchaser has conditionally agreed to acquire, 1,990 FGL Shares (representing 99.50% of FGL Shares in issue) and 2,710 CRE Shares (representing approximately 26.29% of CRE Shares in issue) held by CIIL at a total consideration of HK\$1,727,967,992, of which HK\$1,307,967,992 is to be settled by the issue of 3,269,919,980 GS Shares to Ming Xin (as nominee of CIIL) at an issue price of HK\$0.40 per GS Share, and the remaining HK\$420,000,000 is to be settled by the issue of the Convertible Bond to Ming Xin (as nominee of CIIL); and

- (2) Win Union (as vendor), the GS Purchaser (as purchaser) and Group Sense entered into the WU SPA pursuant to which Win Union has conditionally agreed to sell, and the GS Purchaser has conditionally agreed to acquire, 10 FGL Shares (representing 0.50% of FGL's shares in issue) and 900 CRE Shares (representing approximately 8.72% of CRE Shares in issue) held by Win Union at a total consideration of HK\$172,032,008, which is to be settled by the issue of 430,080,020 GS Shares to Win Union at an issue price of HK\$0.40 per GS Share.

Upon completion of the Reorganisation, the magnesium business of Century Sunshine held by CRE is to be transferred to Group Sense so that all of Century Sunshine's interests in its magnesium business will be held through Group Sense to allow better delineation of the businesses of the CS Group and the GS Group.

## **LISTING RULES IMPLICATIONS**

### **Century Sunshine**

The CIIL Transaction constitutes a very substantial disposal for Century Sunshine under the Listing Rules on the basis that one or more of the relevant Percentage Ratios applicable to Century Sunshine is above 75%. Accordingly, the CIIL Transaction is subject to the reporting, announcement and approval requirements of the Listing Rules requiring approvals from the Independent Shareholders of Century Sunshine.

A circular containing, among other things, further information on the CIIL Transaction and notice of the EGM is expected to be despatched to the CS Shareholders in accordance with the Listing Rules. Since additional time will be required for preparation of the financial information, based on the information currently available, the CS Board expects that the circular of Century Sunshine will be despatched on or before 31 October 2017.

### **Group Sense**

The Transactions constitute very substantial acquisition and connected transactions for Group Sense under the Listing Rules on the basis that (i) one or more of the relevant Percentage Ratios applicable to Group Sense is above 100%; (ii) CIIL, being a wholly-owned subsidiary (and therefore an associate) of Century Sunshine, a substantial shareholder of Group Sense, is a connected person of Group Sense; and (iii) the BOC/Jiangsu Loan will become financial assistance by the GS Group to the CS Group (other than the GS Group) upon Completion. Accordingly, the Transactions are subject to the reporting, announcement and approval requirements of the Listing Rules requiring approvals from the Independent Shareholders of Group Sense.

A circular containing, among other things, further information on the Transactions, the respective advice of the independent board committee of Group Sense, letter from the independent financial advisor and notice of the SGM is expected to be despatched to the GS Shareholders in accordance with the Listing Rules. Since additional time will be required for preparation of the financial information, based on the information currently available, the GS Board expects that the circular of Group Sense will be despatched on or before 31 October 2017.

**Completion of each of the CIIL SPA and the WU SPA is subject to the satisfaction and/or waiver of the conditions precedent therein and therefore, may or may not proceed. Shareholders of Century Sunshine and Group Sense and their respective potential investors are advised to exercise caution when dealing in the shares of Century Sunshine and Group Sense.**

## **1. INTRODUCTION**

The respective board of directors of Century Sunshine and Group Sense jointly announce that Century Sunshine and Group Sense have approved, subject to the approval of the Independent Shareholders of Century Sunshine and Group Sense, a plan of Reorganisation, pursuant to which the magnesium business of Century Sunshine held by CRE is to be transferred to Group Sense so that all of Century Sunshine's interests in its magnesium business will be held through Group Sense to allow better delineation of the businesses of the CS Group and the GS Group.

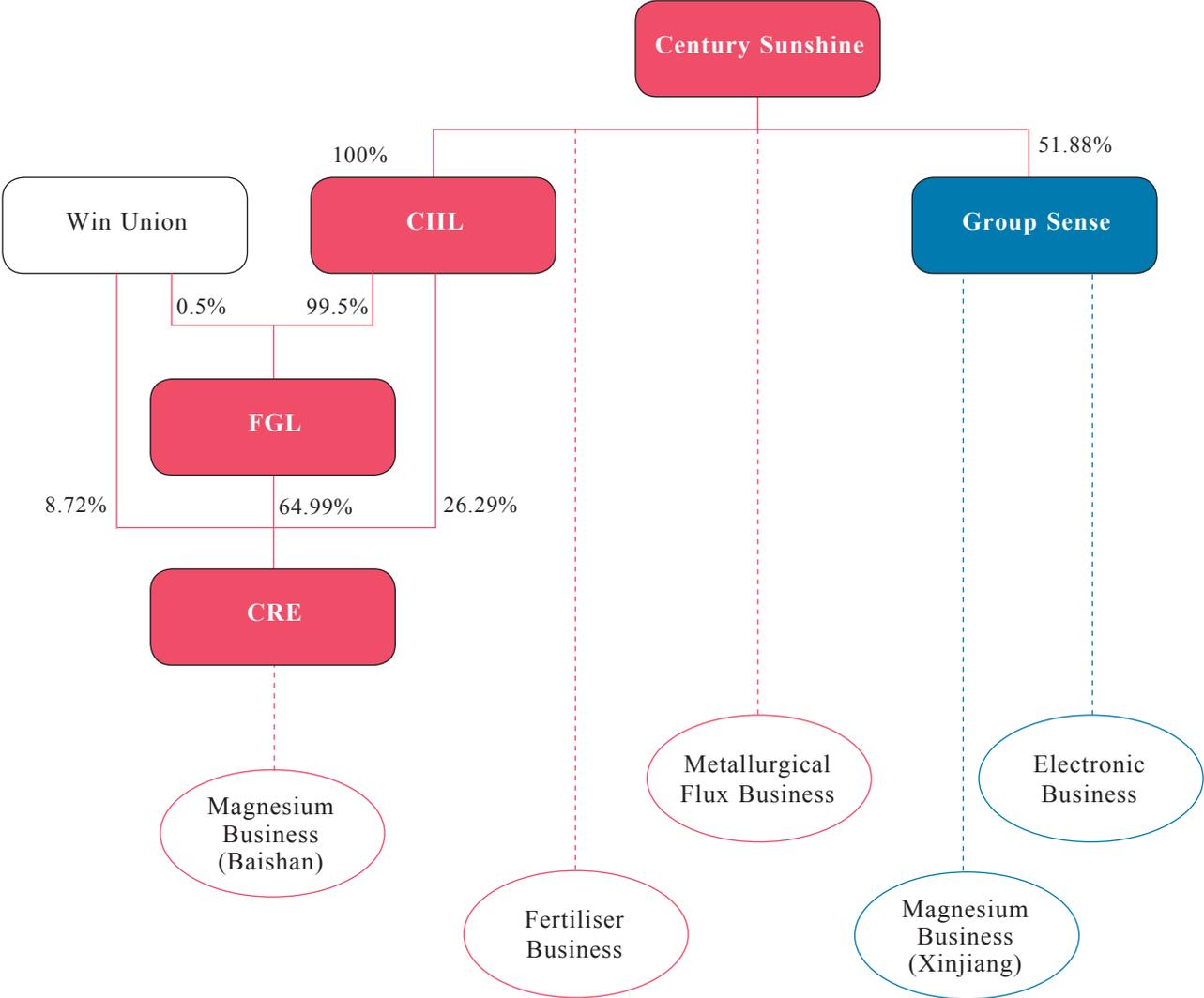
Century Sunshine is an investment holding company and the CS Group, excluding the GS Group, is principally engaged in the fertiliser business, magnesium product business and metallurgical flux business. CIIL is the wholly-owned subsidiary through which Century Sunshine holds its interest in the magnesium product business of the CS Group which operates at Baishan City, Jilin Province, the PRC.

Group Sense is an investment holding company and the GS Group is principally engaged in the manufacture and sale of magnesium-related products and electronic products. Group Sense is an indirectly owned subsidiary of Century Sunshine which holds approximately 51.88% shareholding interests in Group Sense as at the date of this joint announcement.

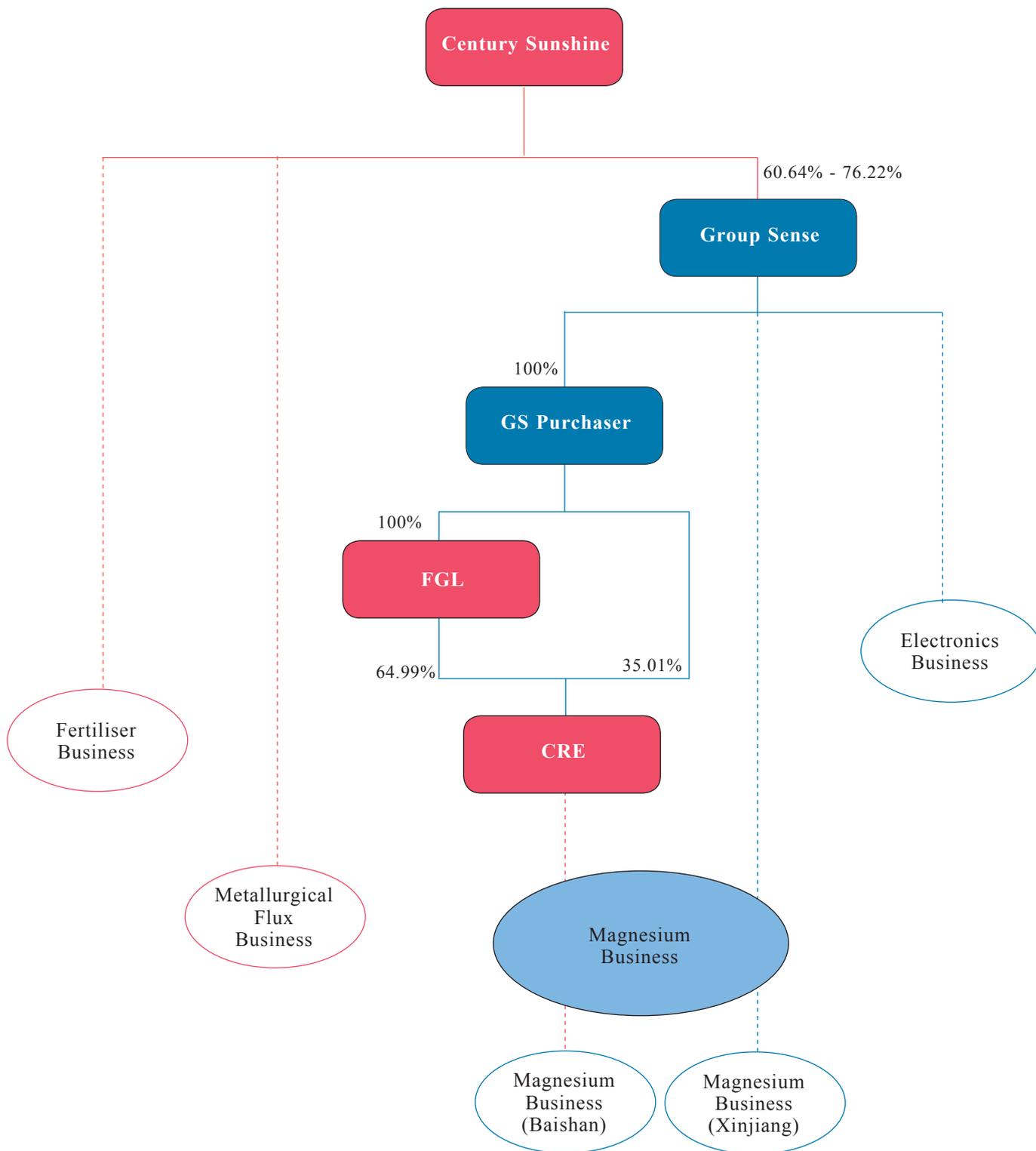
In order to implement the Reorganisation plan, Group Sense and its wholly-owned subsidiary GS Purchaser entered into the CIIL SPA with CIIL, Century Sunshine and Ming Xin and the WU SPA with Win Union, upon completion of which GS Group will have acquired 100% interest in the Target Group while Century Sunshine will remain the holding company of GS Group (including the Target Group). The consideration for the acquisition is to be satisfied by the issue of Consideration Ordinary Shares and Convertible Bond by Group Sense.

For the purposes of illustration, a simplified ownership structure of the Target Group and the principal businesses conducted by Century Sunshine and Group Sense through their respective subsidiaries immediately before and after the Reorganisation are shown as below:

Before the Reorganisation



After the Reorganisation



## **2. THE CIIL SPA AND THE WU SPA**

On 1 September 2017, Group Sense and GS Purchaser entered into the following agreements:—

- (i) the CIIL SPA for the purchase from CIIL of 1,990 FGL Shares (representing 99.50% of FGL Shares in issue) and 2,710 CRE Shares (representing approximately 26.29% of CRE Shares in issue) held by CIIL; and
- (ii) the WU SPA for the purchase from Win Union of 10 FGL Shares (representing 0.50% of FGL's shares in issue) and 900 CRE Shares (representing approximately 8.72% of CRE Shares in issue) held by Win Union.

As at the date of the agreements, FGL held 6,700 CRE Shares (representing approximately 64.99% of CRE Shares in issue).

The principal terms of the CIIL SPA and the WU SPA are the same, save and except for following respects:—

- (i) the identity of the vendor and (where relevant the guarantors of the vendor) and the number of FGL Shares and CRE Shares being sold;
- (ii) the consideration payable under the WU SPA will not involve any issue of Convertible Bond;
- (iii) CIIL as majority shareholder of the Target Group is providing more substantive representations, warranties, undertakings and indemnities in respect of the Target Group; and
- (iv) as completion of the WU SPA is conditional upon and is to take place at the same time as the CIIL SPA, the full list of condition precedents disclosed in the section headed "Conditions Precedent of the Transactions" below appears only in the CIIL SPA.

### **Date of the CIIL SPA and the WU SPA**

1 September 2017

### **Parties**

The CIIL SPA

- 1. CIIL, as vendor;
- 2. GS Purchaser, as purchaser;

3. Century Sunshine and Ming Xin, as the guarantor of the obligations of CIIL and the provider of certain warranties and undertakings; and
4. Group Sense, as the provider of certain warranties in respect of the CIIL Consideration Shares and the Convertible Bond.

#### The WU SPA

1. Win Union, as vendor;
2. GS Purchaser, as purchaser; and
3. Group Sense, as the provider of certain warranties in respect of the WU Consideration Shares.

Each of CIIL and Ming Xin is an investment holding company wholly-owned by Century Sunshine. Century Sunshine holds its interest in the Target Group through CIIL and the effective shareholding interest of CIIL in CRE is approximately 90.95% as at the date of this joint announcement. Century Sunshine holds all of its interest in the GS Shares through Ming Xin.

GS Purchaser, an investment holding company, is a wholly-owned subsidiary of Group Sense.

Win Union is an investment holding company which owns approximately 9.05% effective shareholding interest in CRE as at the date of this joint announcement. To the best of the knowledge, information and belief of the CS Directors and GS Directors, after having made all reasonable enquiries, Win Union and its ultimate beneficial owner are Independent Third Parties.

## Consideration

Subject to the terms and conditions of the CIIL SPA and the WU SPA, each of CIIL and Win Union has respectively agreed to sell, and GS Purchaser has agreed to purchase FGL Shares and CRE Shares for the following consideration:

Vendor	Subject matter of sale and purchase	Consideration	Method of settlement of Consideration
CIIL	<ul style="list-style-type: none"> <li>- 1,990 FGL Shares, (representing 99.50% of the FGL Shares in issue) and</li> <li>- 2,710 CRE Shares (representing approximately 26.29% of the CRE Shares in issue)</li> </ul>	HK\$1,727,967,992	<ul style="list-style-type: none"> <li>- as to HK\$1,307,967,992, by the issue of 3,269,919,980 GS Shares to Ming Xin (as nominee of CIIL) at an issue price of HK\$0.40 per GS Share; and</li> <li>- as to the balance of HK\$420,000,000, by the issue of the Convertible Bond in the principal amount of HK\$420,000,000 to Ming Xin (as nominee of CIIL).</li> </ul>
Win Union	<ul style="list-style-type: none"> <li>- 10 FGL Shares (representing 0.50% of the existing FGL Shares in issue) and</li> <li>- 900 CRE Shares (representing approximately 8.72% of the CRE Shares in issue)</li> </ul>	HK\$172,032,008	To be settled by the issue of 430,080,020 GS Shares to Win Union at an issue price of HK\$0.40 per GS Share.
<b>Total:</b>	100% of the FGL Shares in issue and 35.01% of CRE Shares in issue (as the remaining 64.99% of CRE Shares are held by FGL).	HK\$1,900,000,000	3,700,000,000 GS Shares and the Convertible Bond.

The consideration for the CIIL Transaction and the WU Transaction was determined by reference to (i) the Appraisal Value of 100% interest in CRE, to be determined by reference to valuation date of 31 August 2017, which shall not be less than HK\$1,900,000,000 (representing a small discount to previous valuation on CRE Group carried out in 2016 as part of the usual audit process, agreed after arm's length negotiations among parties and based on the preliminary discussion with the independent valuer engaged by Group Sense); (ii) the financial performance and future prospects of the Target Group, and (iii) the synergies and benefits that are expected to be derived from the Reorganisation as discussed in the section headed "7. REASONS FOR AND BENEFITS OF THE REORGANISATION" in this joint announcement.

The original acquisition costs by CIIL in respect of (1) 99.50% of FGL was HK\$241,042,081 and (2) approximately 26.29% of CRE was HK\$64,214,560 respectively.

### ***The issue price***

The issue price of HK\$0.40 per each Consideration Ordinary Share represents:

- (i) a premium of approximately 11.11% to the closing price of HK\$0.36 per GS Share as quoted on the Stock Exchange on 31 August 2017, being the last trading day before the date of the CIIL SPA and the WU SPA; and
- (ii) a premium of approximately 8.11% to the average closing price of HK\$0.37 per GS Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 31 August 2017, being the last trading day before the date of the CIIL SPA and the WU SPA.

The issue price was arrived at after arm's length negotiations between GS Purchaser with CIIL and Win Union with reference to the trading prices of GS Shares prior to the joint announcement of Century Sunshine and Group Sense dated 18 April 2017 in relation to the memorandum of understanding relating to the CIIL Transaction.

### ***Effect on Group Sense's ordinary share capital***

Assuming there is no other change in the share capital of Group Sense from the date of this joint announcement to Completion, a total of 3,700,000,000 Consideration Ordinary Shares and the Convertible Bond are issued at Completion and all Convertible Bond is converted in full at its initial conversion price, the aggregate of the 3,700,000,000 Consideration Ordinary Shares and the 1,050,000,000 Conversion Shares thereby arising represent:

- (i) approximately 165.25% of the existing GS Shares in issue as at the date of this joint announcement; and

- (ii) approximately 62.30% of the total GS Shares in issue as enlarged by the issue and allotment of 3,700,000,000 Consideration Ordinary Shares and 1,050,000,000 Conversion Shares upon full conversion of the Convertible Bond.

The GS Directors (excluding the independent non-executive directors of Group Sense who will express their opinion after taking into consideration of the advice of the independent financial advisor to be appointed by Group Sense) consider that the consideration for the CIIL Transaction and the WU Transaction, the issue price of the Consideration Ordinary Shares and the conversion price of the Convertible Bond to be fair and reasonable and is in the interests of Group Sense and the GS Shareholders as a whole.

The CS Directors consider that the consideration for the CIIL Transaction, the issue price of the Consideration Ordinary Shares and the conversion price of the Convertible Bond to be fair and reasonable and is in the interests of Century Sunshine and the CS Shareholders as a whole.

### **Principal terms of the Convertible Bond**

The principal terms of the Convertible Bond which are prepared to be created as a condition precedent to Completion are as follows:

Issuer:	Group Sense
Total principal amount:	HK\$420,000,000
Authorised denomination:	HK\$1,000,000 or integral multiples
Status:	<p>The obligations of Group Sense arising under the Convertible Bond constitute direct, unconditional, unsecured, unsubordinated obligations of Group Sense, and rank pari passu among themselves and at least pari passu in right of payment with all other present and future unsecured obligations of Group Sense except for obligations accorded preference by mandatory provisions of applicable law.</p> <p>The Convertible Bonds would be in registered and definitive form.</p>
Interest rate:	4% per annum on the outstanding principal amount.
Maturity date:	The third anniversary of the date of issue of the Convertible Bond (the “ <b>Maturity Date</b> ”).

Subject as provided in the conditions of the Convertible Bond, the outstanding principal amount of the Convertible Bond shall, unless previously converted for the Conversion Shares, be repaid by Group Sense to the holder(s) of the Convertible Bond (the “**Bondholder(s)**”) on the Maturity Date.

The Convertible Bond which is redeemed or to the extent converted will be cancelled.

Conversion rights:

Subject to public float and Takeovers Code related restrictions and the special restrictions as set out further below, the whole (or part in authorised denominations) of the principal amount of the Convertible Bond is convertible into GS Shares at the option of the holder at the initial conversion price of HK\$0.40 per Conversion Share (subject to adjustments).

The Convertible Bond can be converted, at the option of the holders thereof, at any time and from time to time during the period commencing on the seventh date following the date of issue of the Convertible Bond and expiring up to and including the date which is seven days prior to the Maturity Date 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 GS Shares falling below the minimum public float requirements under the Listing Rules or as required by the Stock Exchange immediately after such conversion; or (iii) does not trigger a mandatory general offer obligation under the Takeovers Code.

Conversion Shares:

Conversion Shares shall be allotted and issued by Group Sense, credited as fully paid, with effect from the date on which conversion rights are validly exercised by the Bondholder, and the Bondholder shall be entitled to all dividends and other distributions, rights and entitlements on the record date which falls after the conversion date.

Assuming the conversion rights attached to the Convertible Bond are exercised in full at the initial conversion price of HK\$0.40 per Conversion Share, 1,050,000,000 Conversion Shares will be allotted and issued by Group Sense.

Conversion price:

HK\$0.40 per Conversion Share (subject to adjustments upon certain “Adjustment Events” as described below) (the “**Conversion Price**”).

Adjustment Events:

The Conversion Price is subject to customary adjustment upon occurrence of, among other things, the following events:

- (i) consolidation, subdivision or reclassification of shares;
- (ii) capitalisation of profits or reserves;
- (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 total effective consideration per share less than 80% of the then market price of the shares;
- (vi) any modification of the rights of conversion or exchange or subscription attaching to securities in (iv) above resulting in total effective consideration per share less than 95% of the then market price of the shares;
- (vii) issue of share for cash at less than 95% of the then market price of the shares; and
- (viii) issue shares for the acquisition of any asset at total effective consideration per share less than 95% of the then market price of the shares.

Transferability:

The Convertible Bond may be transferred in whole (or in authorised denomination) to any person, subject to the special restrictions as further set out below, and the requirements under the Listing Rules and/or imposed by the Stock Exchange and/or other requirements imposed by the Stock Exchange, and the approval of the GS Shareholders in a general meeting if so required under, and in compliance with, the Listing Rules if such assignment and/or transfer is proposed to be made to a connected person of Group Sense (other than to CIIL or its associates).

Voting rights:

The Convertible Bond do not confer on the holder(s) thereof the right to attend or vote at a general meeting of Group Sense.

Purchase/Redemption: Group Sense or any of its subsidiaries may repurchase the Convertible Bond in accordance with the Counter Indemnity and any Convertible Bond so purchased shall forthwith be cancelled by Group Sense.

Under the Counter Indemnity, if neither CIIL, Century Sunshine or Ming Xin makes a payment in full when demand is made against Baishan Tianan for the performance of the BOC/Jiangsu Loan Guarantee, Group Sense may at its sole discretion redeem or purchase up to a maximum of the principal amount of the Convertible Bond then subject to the “Special restrictions” as described below, and set off its payment obligations in respect thereof against such unsatisfied payment obligation of CIIL, Century Sunshine or Ming Xin.

Listing and trading: The Convertible Bond is not and will not be listed on any stock exchange.

Special restrictions: Blocked Bond (as defined below) are not convertible or transferrable.

In conjunction with the Counter Indemnity (see “Undertakings and Counter Indemnity from CIIL and the Vendor Guarantors in respect of BOC/Jiangsu Loan Guarantee and Financial Assistance from CS Group” below), initially a total of Convertible Bond in the aggregate amount of HK\$200,000,000 (“**Blocked Bond**”) is not capable of transfer or conversion, so that it may be redeemed by Group Sense and the redemption price be set off against any payment obligations arising from the Counter Indemnity. Certificate(s) for the Blocked Bond will be held by Group Sense until the BOC/Jiangsu Loan Guarantee is released and discharged or replacement security provided or if Group Sense has redeemed those Convertible Bond as described below. The other rights attached to the Blocked Bond will remain unaffected.

Blocked Bond will be released to Ming Xin (as nominee of CIIL) in the following circumstances:—

- (a) the release of the BOC/Jiangsu Loan Guarantee; or
- (b) any cash amount deposited with Group Sense to replace part or all of the Blocked Bond as collateral for payment obligations under the Counter Indemnity, on such terms as are acceptable to Group Sense at its sole discretion.

## Conditions Precedent of the Transactions

Completion of the WU Transaction is conditional upon the following conditions being satisfied or waived (as the case may be):

- (A) the passing of a resolution at a special general meeting of Group Sense by the shareholders of Group Sense to approve the WU SPA and the transactions contemplated thereunder;
- (B) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the WU Consideration Shares; and
- (C) completion of CIIL Transaction taking place simultaneously.

Condition (C) above is capable of being waived by GS Purchaser.

Completion of the CIIL Transaction is conditional upon the following conditions being satisfied or waived (as the case may be):

- (a) the passing of a resolution at a special general meeting of Group Sense by the Independent Shareholders of Group Sense to approve the CIIL SPA and the transactions contemplated thereunder;
- (b) the passing of a resolution at an extraordinary general meeting of Century Sunshine by the Independent Shareholders of Century Sunshine to approve the CIIL SPA and the transactions contemplated thereunder;
- (c) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the CIIL Consideration Shares and the Conversion Shares;
- (d) Group Sense having obtained a valuation report confirming the Appraisal Value at not less than HK\$1,900,000,000 as at 31 August 2017;
- (e) all necessary waiver(s) or consent(s) from IFC (if required) under the IFC Loan Documents and from 中國農業銀行股份有限公司白山分行 (Agriculture Bank of China Limited, Baishan Branch) (if required) under the ABC Loans having been obtained in respect of the transactions contemplated under, among other things, the CIIL SPA, or all monies payable according to repayment schedule by Baishan Tianan and/or Century Sunshine under the IFC Loan Documents having been fully paid;
- (f) legal and financial due diligence of the Target Group being completed to the reasonable satisfaction of GS Purchaser and there being no matter arising from the due diligence review which shall adversely affect the value of the FGL Shares and CRE Shares to be transferred under the CIIL SPA; and

- (g) save and except for those required under the BOC/Jiangsu Loan Guarantee and ABC Loan Guarantees, all filings, registrations, consents, waivers, approvals, authorisations and clearances (if any) of any relevant authority or any other relevant third party necessary for the parties to proceed to completion having been obtained and, if obtained, not revoked.

Conditions (e) and (f) above are capable of being waived by GS Purchaser, and condition (g) is capable of being waived mutually by GS Purchaser and CIIL.

In the event that not all the conditions have been fulfilled or waived (as the case may be) on the Long Stop Date, each of the CIIL SPA and the WU SPA shall lapse and be of no further effect and no party shall have any claim against or liability or obligation to the other party save in respect of any antecedent breach.

### **Completion**

Subject to all the conditions precedent set out above being fulfilled or waived (as the case may be) on or before the Long Stop Date, completion of the CIIL Transaction and the WU Transaction shall take place on such Business Day notified by GS Purchaser to CIIL and Win Union (being not more than 15 Business Days after the fulfillment or waiver (as the case may be) of the conditions precedent, or such other date as the parties may otherwise agree in writing).

### **Rescission**

If, at any time before or at Completion, the GS Purchaser becomes aware that:

- (i) any of the representations, warranties and undertakings made by CIIL, the Vendor Guarantors or Win Union is untrue or misleading; or
- (ii) any of CIIL, the Vendor Guarantors or Win Union is in breach in any material aspect of any obligation on its part under the CIIL SPA or the WU SPA; or
- (iii) a liquidator or receiver is appointed over any part of assets or undertakings of CIIL, the Vendor Warrantors, Win Union or any member of the Target Group or any member of the Target Group is a subject of, or under application for, liquidation or receivership or winding up; or
- (iv) in the opinion of the GS Purchaser acting reasonably, there occurs any material adverse change to the financial or trading position or prospectus of the Target Group; or
- (v) to the extent applicable to CIIL or the Vendor Guarantors or Win Union, any third party consents or authorisations and/or waivers referred to in the conditions precedent of the CIIL SPA or the WU SPA that has been granted is subsequently withdrawn or revoked;

the GS Purchaser is entitled and may without any liability to CIIL, the Vendor Guarantors or Win Union (as the case may be) and without prejudice to any other rights it may have in relation to any breach, elect not to complete the CIIL Transaction or the WU Transaction (as the case may be) by way of written notice to CIIL or Win Union (as the case may be).

If, at any time before or at Completion, CIIL or Win Union (as the case may be) becomes aware that:

- (i) any of the representations, warranties and undertakings made by the GS Purchaser or Group Sense is untrue or misleading; or
- (ii) the GS Purchaser and/or Group Sense (as the case may be) is in breach in any material aspect of any obligation on its part under the CIIL SPA or the WU SPA; or
- (iii) a liquidator or receiver is appointed over any part of assets or undertakings of the GS Purchaser or Group Sense is a subject of, or under application for, liquidation or receivership or winding up; or
- (iv) to the extent applicable to the GS Purchaser or Group Sense, any third party consents or authorisations and/or waivers referred to in the conditions precedent of the CIIL SPA or the WU SPA that has been granted is subsequently withdrawn or revoked;

CIIL or Win Union (as the case may be) is entitled and may without any liability to the GS Purchaser and/or Group Sense and without prejudice to any other rights it may have in relation to any breach, elect not to complete the CIIL Transaction or the WU Transaction (as the case may be) by way of written notice to the GS Purchaser.

## **Undertakings and Counter Indemnity from CIIL and the Vendor Guarantors in respect of BOC/Jiangsu Loan Guarantee and Financial Assistance from CS Group**

### ***BOC/Jiangsu Loan Guarantee***

As at the date of this joint announcement, Baishan Tianan, a member of the Target Group, is a guarantor under the BOC/Jiangsu Loan Guarantee for the BOC/Jiangsu Loan granted by two PRC banks (which are Independent Third Parties), namely 中國銀行股份有限公司東海支行 (Bank of China Limited Donghai Sub-branch\*) and 江蘇銀行股份有限公司東海支行 (Bank of Jiangsu Co., Ltd. Donghai Branch\*), to a PRC subsidiary of Century Sunshine (not being a member of the GS Group) in the aggregate principal amount of RMB170,000,000 (equivalent to approximately HK\$190,400,000). As at the date of this joint announcement, the aggregate outstanding amount of the BOC/Jiangsu Loan amounts to RMB121,000,000 (equivalent to approximately HK\$135,520,000) and no further drawdown will be made under the BOC/Jiangsu Loan. The BOC/Jiangsu Loan is repayable through semi-annual installment between the period from 10 August 2016 to 10 January 2019.

### ***Financial Assistance from CS Group***

As at the date of this joint announcement, the following financial assistance is being provided to the Target Group by members of the CS Group, excluding the GS Group, as follows:—

- (a) an interest free Shareholder's Loan with no fixed repayment terms of approximately HK\$175,000,000 due from CRE to Century Sunshine representing the outstanding advances to finance the daily operations of the Target Group;
- (b) the IFC Loan granted by IFC to Baishan Tianan for a principal amount of US\$27 million (of which US\$21,778,000 (equivalent to approximately HK\$169,868,000) is outstanding as at the date of this joint announcement) which is repayable through semi-annual instalments between the period from 15 October 2016 to 15 April 2021, which is guaranteed by Century Sunshine; and
- (c) a PRC subsidiary of Century Sunshine (not being a member of the GS Group or the Target Group) is a guarantor under the ABC Loan Guarantees for the ABC Loans granted by 中國農業銀行股份有限公司白山分行 (Agricultural Bank of China Limited, Baishan Branch\*), to Baishan Tianan in the aggregate principal amount of RMB140,000,000 (equivalent to approximately HK\$156,800,000). As at the date of this joint announcement, the aggregate outstanding amount of the ABC Loans amounts to RMB122,300,000 (equivalent to approximately HK\$136,976,000) and no further drawdown will be made under the ABC Loans. The ABC Loans are repayable through semi-annual installment based on drawn date between the period from 25 March 2016 to 25 March 2023.

### ***Undertakings by CIIL and Vendor Guarantors***

CIIL and Vendor Guarantors have given the following undertakings under the CIIL SPA:—

- (a) after the publication of this joint announcement to seek necessary consents and/or waivers for full and unconditional release and discharge of the BOC/Jiangsu Loan Guarantee as soon as practicable;
- (b) should such release and discharge not be secured at or before Completion:—
  - (1) they will use their best endeavours to seek such release and discharge as soon as practicable after Completion; and
  - (2) they will execute and deliver at Completion the Counter Indemnity in favour of Group Sense, the GS Purchaser and Baishan Tianan;
- (c) the relevant members of the CS Group will not require the payment of any guarantee fees in respect of the guarantees of the IFC Loan Guarantee and ABC Loan Guarantees.

The Counter Indemnity will provide for Vendor Guarantors and CIIL to indemnify Group Sense, the GS Purchaser and Baishan Tianan (the “**Indemnified Persons**”) from and against all demands, claims, liabilities, losses, proceedings, actions, damages, costs and expenses whatsoever that the Indemnified Persons incur or suffer as a result of a demand being made in respect of the BOC/Jiangsu Loan Guarantee. Group Sense has the right (but not the obligation) to repurchase the Blocked Bond to offset payment obligations under the Counter Indemnity.

### **3. INFORMATION ON THE MAGNESIUM BUSINESS OF THE CS GROUP AND THE GS GROUP**

CS Group operates its magnesium business principally through Baishan Tianan (the principal operating subsidiary of the CRE Group) and Xinjiang Tengxiang (a member of the GS Group). CS Group first acquired an indirect majority interest in Baishan Tianan in December 2008, and currently holds approximately 90.95% effective interest in Baishan Tianan. The GS Group owns 100% interest in Xinjiang Tengxiang which the GS Group acquired in December 2015.

#### **Production Facilities**

##### **(i) *Baishan Tianan (the principal operating subsidiary of the CRE Group)***

Baishan Tianan operates magnesium production facilities in Jilin Province, the PRC, which is supplied by its own dolomite mine located in the vicinity of (approximately 12 kilometers distance from) the production facilities. Dolomite is an anhydrous carbonate mineral composed of calcium magnesium carbonate, which is a principal raw material used in the production of magnesium products. Baishan Tianan therefore operates an integrated platform that carries out smelting, ingot manufacturing, alloy processing and distribution of the magnesium alloys.

Baishan Tianan’s production base is located in China Magnesium Industrial Park in the Hunjiang District of Baishan City, Jilin Province, the PRC with a gross site area of 200,000m<sup>2</sup>. The plant was constructed in 2009 and commenced operations in 2011. It has a total planned production capacity of 75,000 tonnes. In 2016, after completion of its phase I technical update during the year, Baishan Tianan achieved actual output of 25,413 tonnes of magnesium products with a planned annual capacity of 25,000 tonnes for 2016. It has also recently completed its phase II expansion project with a production capacity of 50,000 tonnes and is expected to commence trial operations in phases in early 2018.

Baishan Tianan holds exploration rights to a dolomite mine in Baishan City, Jilin Province in the PRC which it acquired in December 2009 with a mining licence issued by 吉林省國土資源廳 (Department of Land and Resources Jilin Province) in November 2010 and expiring in November 2030.

The dolomite mine has a registered dolomite reserve of 23.027 million tonnes as at 31 December 2009 according to the Mining Resources Registration Certificate issued by 吉林省國土資源廳 (Department of Land and Resources Jilin Province) on 2 August 2010. It is an open pit dolomite mine that supplies the raw materials for the Baishan Tianan's production activities. For the years ended 31 December 2016 and 31 December 2015, the CS Group completed dolomite output of 448,449 tonnes and 380,227 tonnes respectively as disclosed in the 2016 annual report of Century Sunshine.

**(ii) Xinjiang Tengxiang (a member of the GS Group)**

Xinjiang Tengxiang's production base is located at Hami Heary Industrial Park, Hami City, Xinjiang Uygur Autonomous Region, the PRC with total area of approximately 679,121m<sup>2</sup>. The authorised production capacity of Xinjiang Tengxiang comprises 1,200,000 tonnes of semi-coke, 100,000 tonnes of magnesium alloy and 100,000 tonnes of ferroalloy per annum. As at the date of this joint announcement, Xinjiang Tengxiang has installed two major production lines, being the processing and production of magnesium ingot and semi-coke with existing production capacity of 15,000 tonnes and 600,000 tonnes respectively.

As disclosed in the circular of Group Sense regarding the acquisition of Xinjiang Tengxiang dated 25 September 2015, Xinjiang Tengxiang temporarily suspended its production in May 2015. After GS Group took charge of Xinjiang Tengxiang in December 2015, technical enhancement projects have been carried out in order to enable resumption of production and optimisation of the existing production facilities and processes. Production has resumed in phases since the first quarter of 2016 and the average production has reached over 65% of the planned production capacity of 15,000 tonnes since November 2016. While 2016 saw the production of magnesium ingots only, the technical enhancements effected give existing production lines alloying capabilities.

Xinjiang Tengxiang has commenced its first phase expansion of an additional 30,000-tonne magnesium production line (with alloying capabilities), which is expected to gradually commence production in 2018. Upon completion of the first phase expansion, the annual magnesium production capacity of Xinjiang Tengxiang will reach 45,000 tonnes.

The annual production capacity and volume of each of Baishan Tianan and Xinjiang Tengxiang as well as the average utilisation rate for its facilities for the period indicated are set out below:

	<b>Baishan Tianan</b>	<b>Xinjiang Tengxiang</b> <i>Note 1</i>	<b>CS Group Total</b>
Planned/Authorised production capacity ( <i>thousand tonnes</i> )	75.0	100.0	175.0
Existing production capacity ( <i>thousand tonnes</i> )			
Year 2016	25.0	15.0	40.0
Year 2015	25.0	15.0	25.0
Production volume ( <i>thousand tonnes</i> )			
Year 2016	25.4	3.2	28.6
Year 2015	24.5	2.0	24.5
Utilisation rate (%) <sup>Note 2</sup>			
Year 2016	101.6	21.3	
Year 2015	98.0	13.3	

*Notes:*

1. Xinjiang Tengxiang was acquired by the GS Group in December 2015 and resumed production in the first quarter of 2016. The 2015 figures of Xinjiang Tengxiang which relate to production prior to the acquisition of Xinjiang Tengxiang by the GS Group are disclosed for reference only.
2. Utilisation rate is the ratio of actual production volume to the planned production capacity.

The production volumes of Baishan Tianan and Xinjiang Tengxiang are approximately 12,696 tonnes and 4,839 tonnes respectively for the first half of 2017.

## **Magnesium Products**

The magnesium products produced by CS Group include (i) rare earth magnesium alloys; and (ii) basic magnesium products, including magnesium ingots and general magnesium alloys.

Magnesium has valuable properties that have increasing applications in today's technology driven economy, with its core advantage of being a kind of light metal, only 2/3 of weight of aluminium and 1/4 of weight of steel being its strength to weight ratio. Magnesium alloys are mixtures of magnesium with other metals, such as rare earth, aluminium, zinc, manganese, silicon, copper and zirconium. Not only are they lighter structural metals, being a third lighter than aluminium and only a quarter of the weight of steel, they also have anti-radiation

properties, resistance to creep, ability to be recycled, high strength to weight ratios, high thermal stability, excellent machinability, and high resistance to corrosion. In view of these attributes, magnesium alloys are widely used in different industries such as the automotive, aerospace, aviation, defense, computers, consumer electronics, communications, biomedical chemical and packaging industries.

As discussed in the paragraph headed “Research and Development” below, Baishan Tianan owns certain patents, including the production technologies of rare earth magnesium alloys, and is one of the few magnesium manufacturers of rare earth magnesium alloys in the PRC. Rare earth magnesium alloys are mixtures of certain rare earth metals such as cerium, lanthanum and ytterbium to magnesium. Rare earth magnesium alloys are even stronger material than general magnesium alloys.

Rare earth magnesium alloys are thus important structural materials and are employed particularly where low weight of construction is critical such as the making of aircraft and space apparatus.

The table below shows the sales volumes, sales amounts as well as the gross profit margins of the magnesium products produced by Baishan Tianan and Xinjiang Tengxiang respectively for the periods indicated:

	<b>Baishan Tianan</b> <i>Note 3</i>	<b>Xinjiang Tengxiang</b> <i>Notes 1 and 2</i>	<b>CS Group Total</b>
<b>Sales volume (thousand tonnes)</b>			
<i>Year 2015</i>			
Rare earth magnesium alloys	12.4	—	12.4
Basic magnesium products	11.6	2.7	11.6
<i>Year 2016</i>			
Rare earth magnesium alloys	13.2	—	13.2
Basic magnesium products	14.1	8.9	23.0
<b>Sales amount (HK\$'000)</b>			
<i>Year 2015</i>			
Rare earth magnesium alloys	525,083	—	525,083
Basic magnesium products	215,313	36,866	215,313
<i>Year 2016</i>			
Rare earth magnesium alloys	507,866	—	507,866
Basic magnesium products	242,996	132,021	375,017
<b>Gross profit margin (%)</b>			
<i>Year 2015</i>			
Rare earth magnesium alloys	41.8	—	41.8
Basic magnesium products	15.8	(24.0)	15.8
<i>Year 2016</i>			
Rare earth magnesium alloys	41.7	—	41.7
Basic magnesium products	15.5	5.0	11.7

*Notes:*

1. Xinjiang Tengxiang was acquired by the GS Group in December 2015 and resumed production in the first quarter of 2016. The 2015 figures of Xinjiang Tengxiang which relate to production prior to the acquisition of Xinjiang Tengxiang by the GS Group are disclosed for reference only.
2. Xinjiang Tengxiang produced magnesium ingots only in 2016 and will expand its product portfolio with magnesium alloys in order to increase profit margin for its existing 15,000-tonne production capacity as well as the expected expanding capacity.
3. The development of rare earth magnesium alloys allows Baishan Tianan to enjoy higher profit margins compared to the production and sale of basic magnesium products, because of the advanced technological requirements and applications.

## **Research and Development**

CS Group has invested heavily in research and development and has been recognised by the PRC government for its deployment of leading technological methods in production.

In 2010, Baishan Tianan's production base in China Magnesium Industrial Park in Baishan was designated as a "Demonstration Base for China Magnesium Production" by the China Mining Association. It was the first to receive such an honour in the magnesium industry. In October 2011, Baishan Tianan was accredited as one of the 40 comprehensive demonstration bases for applications of mining resources by the PRC Ministry of Land and Resources and Ministry of Finance.

CS Group has fostered strategic partnership with CIAC since 2013, one of the leading national research institutes dealing with magnesium alloys, in the course of expanding its magnesium business. As at the date of this joint announcement, Baishan Tianan owns 12 patents developed by CIAC, of which 10 patents are registered in the PRC and 2 patents are registered in the United States of America, in respect of the production and development technologies of magnesium alloys, especially rare earth magnesium alloys.

GS Group undertook certain technical enhancement projects for Xinjiang Tengxiang following completion of the acquisition in December 2015. The major enhancement works were completed in November 2016 and Xinjiang Tengxiang's production capacity for basic magnesium alloys has reached over 65% of its planned capacity of 15,000 tonnes since then.

Each of Baishan Tianan and Xinjiang Tengxiang has a team of 8 and 3 personnel in the research and development on new/or improved magnesium products as well as processing strategies, respectively.

## **Source of Raw Materials and Competitive Cost Structure**

Dolomite is the principal raw material and coal is the major consumable energy materials used in the production of magnesium products.

Baishan Tianan has mining rights over the high quality reserve of dolomite and it has established long term relationship with its existing coal suppliers in Baishan, the PRC to continue to benefit from lower transportation costs, stable supply and quality of materials.

Xinjiang Tengxiang enjoys the proximity to an abundant supply of dolomite and lower-cost coal in Xinjiang region, which gives it an inherent advantage in terms of production costs over manufacturers located in many other parts of China.

## **Sales and Marketing**

Both Baishan Tianan and Xinjiang Tengxiang sell their respective products through distributors and to end users directly. The end users of the magnesium products are in the automobile industry, the 3C (Computer, Communication and Consumer Electronic) industry as well as aviation, military, medical and other industries. Products of Baishan Tianan and Xinjiang Tengxiang are sold to the end users or other intermediaries depending on the application requirements of the end products. The distribution network of Baishan Tianan principally covers three north-eastern provinces in the PRC, including Liaoning, Jilin and Heilongjiang whereas Xinjiang Tengxiang is focused on north-western region in the PRC. In addition, Xinjiang is a core intermediate point to deepen the communication and cooperation with European countries and Central, South and Western Asian countries under the “One Belt One Road” initiatives put forward by the PRC government and Xinjiang Tengxiang is positioned to take advantage of its strategic geographical position in exploring its distribution network overseas.

The sales and marketing teams of Baishan Tianan and Xinjiang Tengxiang comprise 21 and 8 personnel respectively as at the date of this joint announcement who are responsible for the sales activities, selection of distributors and participating in marketing events, conferences and seminars for promoting their products across China.

## **Trading Business**

The Target Group also has a small operation (engaged through HK Mg-Tech, an indirect wholly owned subsidiary of CRE) in trading of magnesium products in Hong Kong to Europe and US markets which commenced in 2016. It can also serve as a platform through which the GS Group may explore the overseas business opportunities that may arise under the “One Belt One Road” initiatives upon Completion.

## **Growth Opportunities of the Magnesium Business**

According to the 有色金屬工業發展規劃(2016-2020年) (“Non-ferrous Metal Industry Development Plan (2016-2020)\*”, the “**Plan**”) published by the Ministry of Industry and Information Technology of the PRC on 29 September 2016, the non-ferrous metal industry is one of the essential fundamental industries in manufacturing sector and the Thirteenth Five Year Period (i.e. from 2016 to 2020) is the key period for the non-ferrous metal industry of the PRC to grow to a leading position in the world.

Under the Plan, magnesium is regarded as the only non-ferrous metal among ten common non-ferrous metals which will continue to grow at a high rate during the Thirteenth Five Year Period due to the industry transformation and the flourish development in the emerging industries including new materials, energy saving and environmental protection, high-end equipment manufacturing, new energy vehicles and etc., despite of the slowing down of the national economy growth from the Twelfth Five Year Period to the Thirteenth Five Year

Period. The Plan forecasted the industry consumption for magnesium by 2020 is expected to reach 750,000 tonnes, representing a compound annual growth rate (“CAGR”) of 7.1% as compared to 2015. The industry output of magnesium is expected to reach 1,300,000 tonnes by 2020.

According to the General Administration of Customs of the PRC and U.S. Geological Survey, Mineral Commodity Summaries 2017 from US Department of Interior, China’s magnesium production in 2016 was estimated to reach 880,000 tonnes (with domestic and export sales accounting for 59.5 % and 40.5 % respectively) with the CAGR being 6.1% between 2011 and 2016 (with domestic and export sales accounting for 15.6% and -2.3% respectively between 2011 and 2016).

In addition, based on the Mineral Commodity Summaries 2017, global magnesium output (excluding data from the United States as the information regarding US magnesium metal production was withheld to avoid disclosing company proprietary data as stated in Mineral Commodity Summaries 2017) for the same period was estimated to be 1,010,000 tonnes, with a CAGR of 5.5 % from 2011 to 2016 and the PRC contributed the majority of the world’s magnesium production, accounting for over 87% of global output in 2015.

Based on the above statistics, the rising local consumption and the dominant position of China in the global magnesium production market provide strong support on the continuing growth of the magnesium business in the PRC.

#### **4. INFORMATION ON THE TARGET GROUP**

The Target Group comprises (i) FGL, an investment holding company incorporated in the British Virgin Islands with limited liability on 2 April 2008, which holds 6,700 CRE Shares representing approximately 64.99% of the CRE Shares in issue; (ii) CRE, a private company incorporated in Hong Kong with limited liability on 5 May 2008 and (iii) Baishan Tianan and other subsidiaries which are wholly-owned by CRE. CRE and its subsidiaries together principally engaged in magnesium product business, including manufacturing, trading and sale of magnesium products. In addition to Baishan Tianan which is principally engaged in manufacturing and sale of magnesium products, other subsidiaries of CRE include (i) Century Bravo, an investment holding company incorporated in the British Virgin Islands and its subsidiaries, namely HK Mg-Tech, a company incorporated in the British Virgin Islands principally engaged in trading of magnesium products and Mg-Tech (International) Investments Limited, a management service company incorporated in Hong Kong and is dormant; and (ii) 吉林省稀鎂科技有限公司, a PRC subsidiary which is dormant.

Other than Baishan Tianan, other subsidiaries of CRE have no material operation, assets and liabilities as at the date of this joint announcement.

Further details on the background information and operations of Baishan Tianan has been disclosed in the section headed “3. INFORMATION ON THE MAGNESIUM BUSINESS OF THE CS GROUP AND THE GS GROUP” in this joint announcement.

### Financial Information

FGL is an investment holding company with no material operation, assets and liabilities.

Set out below is the financial information of CRE Group as extracted from its unaudited financial information for the two years ended 31 December 2015 and 2016, respectively:

	<b>For the financial year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'million</i>	<i>HK\$'million</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Consolidated net profit/(loss) (before taxation and extraordinary items)	246	240
Consolidated net profit/(loss) (after taxation and extraordinary items)	190	183

The unaudited consolidated net asset of CRE Group as at 31 December 2016 was approximately HK\$721 million.

### 5. FINANCIAL EFFECTS IN RELATION TO THE REORGANISATION

Upon Completion, assuming no Convertible Bond has been converted and full exercise of exchange rights attaching to the Exchangeable Bond, 60.64% of Target Group’s share capital will be indirectly held by Century Sunshine as a result of the Reorganisation. Therefore, each company of the Target Group will remain as a subsidiary of Century Sunshine and the Target Group’s results will continue to be consolidated into the financial statements of Century Sunshine. Since Group Sense is a subsidiary of Century Sunshine, the Transactions are treated as transactions with non-controlling interest and the difference between the proceeds from the disposal of interest and the decrease of the shared net assets of the subsidiaries is adjusted to reserves. Accordingly, it is expected that there will be no material gain or loss arising on the Transactions for Century Sunshine.

Nevertheless, as a result of the Reorganisation, there may be a possible exercise of the exchange rights under the Exchangeable Bond by WTIL up to an aggregate outstanding principal of HK\$232,000,000 and therefore an effective repayment of the corresponding principal amount by Century Sunshine upon exercise of the exchange rights by WTIL. Accordingly, the gearing level of Century Sunshine will be affected.

Members of the Target Group will become wholly-owned subsidiaries of Group Sense upon Completion and their financial position and results will be fully consolidated into consolidated financial statements of Group Sense.

## **6. IMPACT OF THE REORGANISATION ON THE SHAREHOLDING STRUCTURE OF GROUP SENSE**

Illustrations of the effect of the issue of the Consideration Ordinary Shares and the Convertible Bond (which are convertible into the Conversion Shares) under the CIIL SPA and WU SPA are set out below.

As at the date of this joint announcement, there is outstanding an Exchangeable Bond in the principal amount of HK\$232,000,000 issued by Century Sunshine to WTIL. Details of the terms of the Exchangeable Bond were set out in the announcement of Century Sunshine dated 26 April 2016. Assuming the exchange rights attaching to the Exchangeable Bond are exercised in full pursuant to the terms of the Exchangeable Bond, WTIL will acquire an aggregate of 774,466,537 GS Shares as procured by Century Sunshine.

### **Scenario 1: Assuming no exercise of the exchange rights under the Exchangeable Bond**

For illustration purposes only, set out below is the shareholding structure of Group Sense in respect of the GS Shares (i) as at the date of this joint announcement; (ii) following issue and allotment of the Consideration Ordinary Shares (that is, assuming no exercise of exchange rights under the Exchangeable Bond, no conversion of the Convertible Bond and without taking into account the public float and Takeovers Code related restrictions and the special restrictions as referred to in “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above), (iii) following issue and allotment of the Consideration Ordinary Shares and the Conversion Shares assuming conversion of the Convertible Bond up to the extent that the public float of GS Shares become 25% (that is, assuming no exercise of exchange rights under the Exchangeable Bond and without taking into account the Takeovers Code related restrictions and the special restrictions as referred to in “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above), and (iv) following issue and allotment of the Consideration Ordinary Shares and Conversion Shares assuming full conversion of the Convertible Bond (that is, assuming no exercise of exchange rights under the Exchangeable Bond and without taking into account the public float and Takeovers Code related restrictions and the special restrictions as referred to in “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above):

Shareholders	As at the date of this joint announcement		Immediately after issue of the Consideration Ordinary Shares <sup>Note 3</sup>		Immediately after issue of the Consideration Ordinary Shares and Conversion Shares (up to the extent the public float becomes 25%) <sup>Notes 3 and 4</sup>		Immediately after issue of the Consideration Ordinary Shares and the Conversion Shares <sup>Note 3</sup>	
	Number of GS Shares	Approximate % of shareholdings	Number of GS Shares	Approximate % of shareholdings	Number of GS Shares	Approximate % of share-holdings	Number of GS Shares	Approximate % of shareholdings
Ming Xin <sup>Note 1</sup>	1,491,197,454	51.88	4,761,117,434	72.42	4,791,117,434	72.54	5,811,117,434	76.22
WTIL	—	—	—	—	—	—	—	—
Tam's family <sup>Note 2</sup>	161,818,236	5.63	161,818,236	2.46	161,818,236	2.45	161,818,236	2.12
Win Union	—	—	430,080,020	6.54	430,080,020	6.51	430,080,020	5.64
Other public shareholders	1,221,374,368	42.49	1,221,374,368	18.58	1,221,374,368	18.49	1,221,374,368	16.02
Public float	<u>1,221,374,368</u>	<u>42.49</u>	<u>1,651,454,388</u>	<u>25.12</u>	<u>1,651,454,388</u>	<u>25.00</u>	<u>1,651,454,388</u>	<u>21.66</u>
<b>Total</b>	<u><u>2,874,390,058</u></u>	<u><u>100.00</u></u>	<u><u>6,574,390,058</u></u>	<u><u>100.00</u></u>	<u><u>6,604,390,058</u></u>	<u><u>100.00</u></u>	<u><u>7,624,390,058</u></u>	<u><u>100.00</u></u>

*Notes:*

- As at the date of this joint announcement, Ming Xin is a wholly-owned subsidiary of Century Sunshine.
- Such GS Shares included:—
  - 18,000,000 GS Shares directly held by Mr. Tam Wai Tong, a director of certain subsidiaries of Group Sense;
  - 51,464,000 GS Shares jointly owned by Mr. Tam Wai Tong and Dr. Tam Wai Ho, a non-executive director of Group Sense;
  - 75,754,236 GS Shares held by Earnmill Holdings Limited, a company which is ultimately wholly owned by Mr. Tam Wai Tong and Dr. Tam Wai Ho, in equal shares;
  - 12,000,000 GS Shares directly held by Dr. Tam Wai Ho; and
  - 4,600,000 GS Shares directly held by Mrs. Tam Mui Ka Wai, the spouse of Dr. Tam Wai Ho.
- The Convertible Bond is freely transferable and convertible into GS Shares except that holders of the Convertible Bond shall not convert the Convertible Bond if by doing so: (i) the minimum public float requirements stipulated by the Listing Rules will not be met; or (ii) they will trigger a mandatory offer under the Takeovers Code when aggregated with the GS Shares held by it or parties acting or presumed to be acting in concert with it under the Takeovers Code. In addition, initially, the Blocked Bond is not capable of transfer or conversion (for details, please refer to “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above).
- Such Conversion Shares issued to Ming Xin is based on the assumption that the Convertible Bond in the principal amount of HK\$12,000,000 is converted into 30,000,000 Conversion Shares at the initial conversion price of HK\$0.40 per Conversion Share.
- The percentages of the above table may not add up to 100.00% due to rounding off of numbers.

## Scenario 2: Assuming full exercise of the exchange rights under the Exchangeable Bond

For illustration purposes only, set out below is the shareholding structure of Group Sense in respect of the GS Shares (i) as at the date of this joint announcement; (ii) following issue and allotment of the Consideration Ordinary Shares and full exercise of the exchange rights under the Exchangeable Bond (that is, assuming no conversion of the Convertible Bond and without taking into account the public float and Takeovers Code related restrictions and the special restrictions as referred to in “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above, (iii) following issue and allotment of the Consideration Ordinary Shares and the Conversion Shares assuming conversion of the Convertible Bond up to the extent that public float of GS Shares becomes 25% and full exercise of the exchange rights under the Exchangeable Bond (without taking into account the Takeovers Code related restrictions and the special restrictions as referred to in “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above), and (iv) following issue and allotment of the Consideration Ordinary Shares and Conversion Shares assuming full conversion of the Convertible Bond and full exercise of the exchange rights under the Exchangeable Bond (without taking into account the public float and Takeovers Code related restrictions and the special restrictions as referred to in “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above):

Shareholders	As at the date of this joint announcement		Immediately after issue of the Consideration Ordinary Shares and full exercise of the Exchangeable Bond <sup>Note 3</sup>		Immediately after issue of the Consideration Ordinary Shares (up to the extent public float becomes 25%) and full exercise of the Exchangeable Bond <sup>Notes 3 and 4</sup>		Immediately after issue of the Consideration Ordinary Shares and the Conversion Shares and full exercise of the Exchangeable Bond <sup>Note 3</sup>	
	Number of GS Shares	Approximate % of shareholdings	Number of GS Shares	Approximate % of shareholdings	Number of GS Shares	Approximate % of shareholdings	Number of GS Shares	Approximate % of shareholdings
Ming Xin <sup>Note 1</sup>	1,491,197,454	51.88	3,986,650,897	60.64	4,016,650,897	60.82	5,036,650,897	66.06
WTIL	—	—	774,466,537	11.78	774,466,537	11.73	774,466,537	10.16
Tam’s family <sup>Note 2</sup>	161,818,236	5.63	161,818,236	2.46	161,818,236	2.45	161,818,236	2.12
Win Union	—	—	430,080,020	6.54	430,080,020	6.51	430,080,020	5.64
Other public shareholders	1,221,374,368	42.49	1,221,374,368	18.58	1,221,374,368	18.49	1,221,374,368	16.02
Public float	1,221,374,368	42.49	1,651,454,388	25.12	1,651,454,388	25.00	1,651,454,388	21.66
<b>Total</b>	<b>2,874,390,058</b>	<b>100.00</b>	<b>6,574,390,058</b>	<b>100.00</b>	<b>6,604,390,058</b>	<b>100.00</b>	<b>7,624,390,058</b>	<b>100.00</b>

*Notes:*

1. As at the date of this joint announcement, Ming Xin is a wholly-owned subsidiary of Century Sunshine.
2. Such GS Shares included:—
  - (a) 18,000,000 GS Shares directly held by Mr. Tam Wai Tong, a director of certain subsidiaries of Group Sense;
  - (b) 51,464,000 GS Shares jointly owned by Mr. Tam Wai Tong and Dr. Tam Wai Ho, a non-executive director of Group Sense;
  - (c) 75,754,236 GS Shares held by Earnmill Holdings Limited, a company which is ultimately wholly owned by Mr. Tam Wai Tong and Dr. Tam Wai Ho, in equal shares;
  - (d) 12,000,000 GS Shares directly held by Dr. Tam Wai Ho;
  - (e) 4,600,000 GS Shares directly held by Mrs. Tam Mui Ka Wai, the spouse of Dr. Tam Wai Ho.
3. The Convertible Bond is freely transferable and convertible into GS Shares except that holders of the Convertible Bond shall not convert the Convertible Bond if by doing so: (i) the minimum public float requirements stipulated by the Listing Rules will not be met; or (ii) they will trigger a mandatory offer under the Takeovers Code when aggregated with the GS Shares held by it or parties acting or presumed to be acting in concert with it under the Takeovers Code. In addition, initially, the Blocked Bond is not capable of transfer or conversion (for details, please refer to “2. The CIIL SPA and the WU SPA – Principal terms of the Convertible Bond” above).
4. Such Conversion Shares issued to Ming Xin is based on the assumption that the Convertible Bond in the principal amount of HK\$12,000,000 is converted into 30,000,000 Conversion Shares at the initial conversion price of HK\$0.40 per Conversion Share.
5. The above table assumes that, upon full exercise of the exchange rights under the Exchangeable Bond, Century Sunshine will procure the acquisition of GS Shares by WTIL.
6. The percentages of the above table may not add up to 100.00% due to rounding off of numbers.

## **7. REASONS FOR AND BENEFITS OF THE REORGANISATION**

Upon completion of the Transactions, Group Sense will become the beneficial shareholder of the Target Group while Century Sunshine will continue to be the holding company of the GS Group (including the Target Group). Both GS Board and CS Board consider that the Reorganisation is crucial for both CS Group and GS Group for the reasons set out below.

## **Clear delineation enabling more focused and efficient management and future development of the businesses of CS Group and GS Group**

Following Completion, the business of the CS Group and GS Group will be clearly delineated. The CS Group will focus on its fertiliser business and metallurgical flux business while GS Group will specialise in magnesium operations apart from the electronic products business.

### ***(i) Enabling expansion of the scale of the magnesium business and greater efficiencies in implementing the strategy of developing a flagship platform for magnesium business under GS Group***

As disclosed in the 2016 annual report of Group Sense, GS Group is striving to boost its magnesium alloy business to become one of the top manufacturers in the global magnesium market. Group Sense acquired Xinjiang Tengxiang in December 2015, which has been in operation since 1 January 2016 with an authorised and annual production capacity of 100,000 tonnes and 15,000 tonnes respectively. In order to enhance the development of its magnesium business, it is the intention of GS Group to expand its magnesium business by increasing production capacity and market network, attracting new source of customers, optimising equipment and technology of the production lines and enhancing production efficiency. GS Group plans to invest in phases in the coming years and eventually construct a production plant that is capable for all of the government-approved 100,000-tonne production capacity. Based on the current development plan and progress of Xinjiang Tengxiang, the GS Board expects that Xinjiang Tengxiang is going to enjoy rapid development in the near future given the potential growth of its production capacity, the competitive cost structure and the geographical advantage and positioning under the “One Belt One Road” initiatives put forward by the PRC government.

The GS Board has been seeking merger and acquisition opportunities in the magnesium industry with a view to solidify the position of Group Sense in the industry, capturing larger market share so as to achieve economies of scale.

The CRE Group, being one of the leading magnesium alloys producers in the PRC, with proven technical and production expertise as well as strong customer base and distribution network in the north-western region in the PRC, and its planned expansion of production capacity, presents a good opportunity for Group Sense to develop a flagship platform conducting magnesium business under GS Group, which the GS Directors believe will allow expansion of the scale of its operations achieving combined production capacity of 175,000 tonnes. By consolidating the operations under GS Group, both CS Group and GS Group expect to enjoy over time the benefits of synergies of the CRE Group and Xinjiang Tengxiang in terms of product range, research and development capabilities as well as by sharing customer base and sales network to further strengthen the market coverage and penetration of the magnesium business. As a result of the consolidation of operations and management of magnesium business under the GS Group, the supporting functions of the

magnesium business will be centralised and the technical and management expertise can be strengthened and leveraged, thereby enhancing the shareholders value of both the GS Group and CS Group (through its majority interest in the GS Group) and achieving a more cost-effective business operations, management and market development.

Were it not for the Reorganisation, the CS Group would have no immediate plan to dispose of the Target Group. The Reorganisation provides an opportunity to the CS Shareholders to convert their indirect economic interests in the unlisted Target Group into the direct interest in listed GS Shares while maintaining its ability to enjoy the growth of the Target Group through its majority interest in Group Sense following Completion.

*(ii) Strengthening the position of CS Group as one of the leading compound fertilisers producers in the PRC*

As disclosed in the 2016 annual report of Century Sunshine, it is the CS Group's business direction to enhance the presence and market penetration of the ecological compound fertilisers of CS Group as well as its business scale in fertiliser business. CS Group entered into an acquisition agreement to acquire 50.5% equity interest in Shandong Hongri Chemical Joint Stock Company, Ltd. (hereinafter referred to as "**Shandong Hongri**"), which is well-established with over 50 years of operating history. The transaction was completed on 1 April 2017, through which CS Group expects sales volume of approximately 600,000 tonnes of compound fertiliser products of Shandong Hongri will be achieved in 2017. The CS Directors believes that, with the existing annual capacity of 850,000 tonnes at its production base in Jiangsu Province and the gradual release of the expected annual capacity of 1,400,000 tonnes at the production base in Jiangxi Province, along with the official incorporation of Shandong Hongri into CS Group, the fertiliser production capacity of the CS Group will be increased by at least three-fold in 2019 with extended market coverage in the Northern, Central and Southern China.

CS Group owns quality serpentine reserves which is not only a key raw material to produce fertilisers, but is also an indispensable source of auxiliary material for iron and steel smelting (i.e. metallurgical flux business). CS Group sells a manageable amount of serpentine to major domestic steel enterprises for continuous and stable income.

Pursuant to the "Guidance on Promoting the Restructuring and Development of Fertiliser Industry (推進化肥行業轉型發展的指導意見)" issued by the Ministry of Industry and Information Technology (MIIT), the utilisation of the new type of fertilisers in China will increase from less than 10% at present to 30% by 2020, creating a massive market space for the green and ecological new fertilisers of the Group.

With a more focused line of business, the management of the CS Group may devote its precious management resources in the further investment and development of the fertiliser business. Capitalising on the expanding scale of its production bases and the growing demand for ecological compound fertiliser arising from the progressing agricultural modernization and government support in the PRC, the CS Board believes that its fertiliser business will enjoy more rapid growth and extensive development in the foreseeable future.

### **Strengthening of the financial position of both CS Group and GS Group and unlocking shareholders value for Century Sunshine and Group Sense**

After completion of the Reorganisation, Group Sense expects that it will secure immediate and stable profit and cash flow from the Target Group without any cash outlay under the Transaction.

The increased size and the quality of the assets/business of Group Sense upon integration of the Target Group's business into Group Sense will facilitate GS Group to attract investments and obtain financings on more competitive terms with a view to optimize its equity/debt structure, thereby strengthen the financial position of both CS Group and GS Group. Both CS Directors and GS Directors believe that the CS Group and GS Group will have stronger capability to raise fund to develop its business so as to create value for both GS Shareholders and CS Shareholders.

CS Group intends to seek the release and discharge of the BOC/Jiangsu Loan Guarantee as soon as practicable following the publication of this joint announcement. Should such release not be secured prior to Completion, contractual arrangements have been put in place, in the form of undertakings under the CIIL SPA, the Counter Indemnity in conjunction with restrictions in relation to the Blocked Bond, as disclosed in the paragraph headed "Undertakings and Counter Indemnity from CIIL and the Vendor Guarantors in respect of BOC/Jiangsu Loan Guarantee and Financial Assistance from CS Group" and "Principal Terms of the Convertible Bond – Special Restrictions" to provide for compensation in case any demand is made in respect of the BOC/Jiangsu Loan Guarantee.

Both the CS Directors and GS Directors believe that the clearer delineation and different business positioning of CS Group and the GS Group and the consolidation into and expansion of the magnesium operations of Group Sense can facilitate raising future equity and debt financings to support the development of the different businesses of the two groups. In addition, the CS Directors believe that the current market price of CS Shares, due to, among others, various valuation methodologies adopted for the diversified business focus of CS Group, does not fully reflect the value of its interest in the Target Group as well as other CS Group's business. The Reorganisation will enhance the transparency of the assets of both Century Sunshine and Group Sense and enable investors to adopt a single valuation methodology for each of Century Sunshine and Group Sense thereby unlocking value for shareholders of both groups.

The CS Directors believe that the terms of the Transactions are fair and reasonable and in the interests of the CS Shareholders as a whole.

The directors of Group Sense and, in the case of the independent non-executive directors, subject to the further advice of the independent financial advisor, believe that the terms of the Transactions are fair and reasonable and in the interests of the GS Shareholders as a whole.

## **8. LISTING RULES IMPLICATIONS**

### **Century Sunshine**

The CIIL Transaction constitutes a very substantial disposal for Century Sunshine under the Listing Rules on the basis that one or more of the relevant Percentage Ratios applicable to Century Sunshine is above 75%.

Accordingly, the CIIL Transaction is subject to the reporting, announcement and approval requirements of the Listing Rules requiring approvals from the Independent Shareholders of Century Sunshine. As at the date of this joint announcement, each of Mr. Shum Sai Chit and Ms. Chi Bi Fen is an executive director of both Century Sunshine and Group Sense, and Mr. Kwong Ping Man is an independent non-executive director of both Century Sunshine and Group Sense. In this regard, at the EGM to be convened for the purpose of approving the CIIL Transaction, each of (a) Mr. Shum Sai Chit who held 14,666,305 CS Shares, representing approximately 0.32% of the existing CS Shares in issue as at the date of this joint announcement and (b) Ms. Chi Bi Fen who held 12,352,499 CS Shares, representing approximately 0.27% of the existing CS Shares in issue as at the date of this joint announcement, will abstain from voting on the relevant resolution(s).

Save as disclosed above and as at the date of this joint announcement, to the best of the knowledge, information and belief of the CS Directors, after having made all reasonable enquiries, no other CS Shareholder is materially interested in the CIIL Transaction and will be required to abstain from voting on the relevant resolution(s) at the EGM.

A circular containing, among other things, further information on the CIIL Transaction and notice of the EGM is expected to be despatched to the CS Shareholders in accordance with the Listing Rules. Since additional time will be required for preparation of the financial information, based on the information currently available, the CS Board expects that the circular of Century Sunshine will be despatched on or before 31 October 2017.

## Group Sense

The Transactions constitute very substantial acquisition and connected transactions for Group Sense under the Listing Rules on the basis that (i) one or more of the relevant Percentage Ratios applicable to Group Sense is above 100%; (ii) CIIL, being a wholly-owned subsidiary (and therefore an associate) of Century Sunshine, a substantial shareholder of Group Sense, is a connected person of Group Sense; and (iii) the BOC/Jiangsu Loan will become financial assistance by the GS Group to the CS Group (other than the GS Group) upon Completion.

Accordingly, the Transactions are subject to the reporting, announcement and approval requirements of the Listing Rules requiring approvals from the Independent Shareholders of Group Sense. In this regard, at the SGM to be convened for the purpose of approving the Transactions, Ming Xin (being an indirect wholly-owned subsidiary of Century Sunshine and therefore a close associate of CIIL) which held 1,491,197,454 GS Shares, representing approximately 51.88% of the existing GS Shares in issue as at the date of this joint announcement, will abstain from voting on the relevant resolution(s).

Save as disclosed above and as at the date of this joint announcement, to the best of the knowledge, information and belief of the GS Directors, after having made all reasonable enquiries, no other GS Shareholder is materially interested in the Transactions and will be required to abstain from voting on the relevant resolution(s) at the SGM.

An independent board committee of Group Sense comprising the independent non-executive directors of Group Sense (other than Mr. Kwong Ping Man who is an independent non-executive director of both Century Sunshine and Group Sense) has been constituted to make recommendations to the Independent Shareholders of Group Sense in respect of resolutions to approve the Transactions and the BOC/Jiangsu Loan Guarantee. An independent financial advisor will be appointed by Group Sense to advise the independent board committee of Group Sense and Independent Shareholders of Group Sense as to whether the terms of the Transactions and the BOC/Jiangsu Loan Guarantee are on normal commercial terms and in the ordinary and usual course of business of the GS Group, fair and reasonable so far as the GS Shareholders are concerned and in the interests of such shareholders and Group Sense.

A circular containing, among other things, further information on the Transactions, the respective advice of the independent board committee of Group Sense, letter from the independent financial advisor and notice of the SGM is expected to be despatched to the GS Shareholders in accordance with the Listing Rules. Since additional time will be required for preparation of the financial information, based on the information currently available, the GS Board expects that the circular of Group Sense will be despatched on or before 31 October 2017.

## Application for listing

Application will be made by Group Sense to the Stock Exchange for the listing of, and permission to deal in, the following:—

- (i) the Consideration Ordinary Shares; and
- (ii) the Conversion Shares to be issued and allotted pursuant to the conversion of Convertible Bond, which are to be issued under the CIIL SPA.

**Completion of each of the CIIL SPA and the WU SPA is subject to the satisfaction and/or waiver of the conditions precedent therein and therefore, may or may not proceed. Shareholders of Century Sunshine and Group Sense and their respective potential investors are advised to exercise caution when dealing in the shares of Century Sunshine and Group Sense.**

## 9. DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“ABC Loans”	the loans in the aggregate principal amount of RMB140,000,000 advanced pursuant to various loan agreements dated 28 March 2014, 7 July 2014, 8 August 2014, 4 November 2014, 28 January 2015, 26 June 2015 entered into by Baishan Tianan (as borrower) with 中國農業銀行股份有限公司白山分行 (Agriculture Bank of China Limited, Baishan Branch*) (as lender)
“ABC Loan Guarantee”	guarantee given by a PRC subsidiary of Century Sunshine for payment obligations of Baishan Tianan in respect of the ABC Loans
“Appraisal Value”	the appraisal value of CRE as at the valuation date, 31 August 2017, to be determined stated in the valuation report to be issued by a professional valuer in Hong Kong
“associate(s)” or “close associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Baishan Tianan”	白山市天安金屬鎂礦業有限公司 (Baishan City Tianan Magnesium Resources Co., Ltd.*), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of CRE as at the date of this joint announcement

“BOC/Jiangsu Loan”	the loan in the aggregate principal amount of RMB170,000,000 advanced pursuant to a loan agreement dated 8 December 2015 entered into by a subsidiary of Century Sunshine (as borrower) with, among other persons, 中國銀行股份有限公司東海支行 (Bank of China Limited Donghai Sub-branch*) and 江蘇銀行股份有限公司東海支行 (Bank of Jiangsu Co., Ltd. Donghai Sub-branch) (as lenders)
“BOC/Jiangsu Loan Guarantee”	guarantee given by Baishan Tianan for payment obligations in respect of the BOC/Jiangsu Loan
“Business Day”	any day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
“Century Bravo”	Century Bravo International Limited, a private company incorporated in the British Virgin Islands with limited liability and is wholly owned by CRE as at the date of this joint announcement
“Century Sunshine”	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)
“CIAC”	Changchun Institute of Applied Chemistry of the Chinese Academy of Sciences
“CIIL”	Capital Idea Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Century Sunshine, which held 1,990 FGL Shares (representing 99.50% of the existing FGL Shares in issue) and 2,710 CRE Shares (representing approximately 26.29% of the existing CRE Shares in issue) as at the date of this joint announcement
“CIIL Consideration Shares”	3,269,919,980 GS Shares to be issued and allotted to Ming Xin (as a nominee of CIIL) pursuant to the CIIL SPA
“CIIL SPA”	the sale and purchase agreement dated 1 September 2017 and entered into by, amongst others, CIIL (as vendor) and GS Purchaser (as purchaser) in respect of 1,990 FGL Shares (representing 99.50% of the existing FGL Shares in issue) and 2,710 CRE Shares (representing approximately 26.29% of the existing CRE Shares in issue)

“CIIL Transaction”	the sale, by CIIL, and purchase, by GS Purchaser of (i) 1,990 FGL Shares and (ii) 2,710 CRE Shares pursuant to the terms of the CIIL SPA
“Completion”	completion of the Transactions in accordance with the terms of the CIIL SPA and the WU SPA
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Consideration Ordinary Shares”	3,700,000,000 GS Shares, being the aggregate of CIIL Consideration Shares and WU Consideration Shares
“Conversion Shares”	GS Shares to be issued upon conversion of the Convertible Bond
“Convertible Bond”	the 4% coupon convertible bond in the aggregate principal amount of HK\$420,000,000 to be issued by Group Sense to Ming Xin (as nominee of CIIL) pursuant to the CIIL SPA
“Counter Indemnity”	the deed of counter indemnity to be executed by CIIL and the Vendor Guarantors in favour of GS Purchaser, Group Sense and Baishan Tianan in relation to the obligations of FGL and/or its subsidiaries under the BOC/Jiangsu Loan Guarantee
“CRE”	China Rare Earth Magnesium Technology Holdings Limited, a private company incorporated in Hong Kong with limited liability and is owned by FGL as to approximately 64.99%, CIIL as to approximately 26.29% and Win Union as to approximately 8.72% as at the date of this joint announcement
“CRE Group”	CRE and its subsidiaries
“CRE Share(s)”	the ordinary share(s) of CRE
“CS Board”	the board of CS Directors
“CS Director(s)”	the director(s) of Century Sunshine
“CS Group”	Century Sunshine and its subsidiaries

“CS Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of Century Sunshine
“CS Shareholder(s)”	holder(s) of CS Share(s)
“EGM”	an extraordinary general meeting of Century Sunshine to be convened for the purpose of considering and, if thought fit, approving, amongst other things, the CIIL SPA and the transactions contemplated thereunder
“Exchangeable Bond”	the redeemable fixed coupon exchangeable bond with an aggregate principal amount of HK\$232,000,000 issued by Century Sunshine to WTIL under the exchangeable bond instrument dated 5 May 2016
“FGL”	Fullocean Group Limited, a company incorporated in the British Virgin Islands with limited liability and is owned by CIIL as to approximately 99.50% and Win Union as to approximately 0.50% as at the date of this joint announcement
“FGL Share(s)”	the ordinary share(s) with a par value of US\$1.00 each in the share capital of FGL
“Group Sense”	Group Sense (International) Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 601)
“GS Board”	the board of GS Directors
“GS Director(s)”	the director(s) of Group Sense
“GS Group”	Group Sense and its subsidiaries
“GS Purchaser”	Sure Sino Global Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Group Sense
“GS Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Group Sense
“GS Shareholder(s)”	holder(s) of GS Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HK Mg-Tech”	Hong Kong Mg-Tech Metals Company Limited, a private company incorporated in the British Virgin Islands with limited liability and is wholly owned by Century Bravo as at the date of this joint announcement
“IFC”	means International Finance Corporation, an international organization established by articles of agreement among its member countries including the PRC
“IFC Loan”	the loan granted by IFC to Baishan Tianan under the IFC Loan Documents
“IFC Loan Documents”	(i) the loan agreement dated 30 May 2014 (as amended and restated on 7 December 2015) entered into between IFC (as lender) and Baishan Tianan (as borrower) in respect of a loan in the principal amount of US\$27,000,000 (as amended and restated on 7 December 2015 and as may be further amended or restated from time to time); and  (ii) the guarantee dated 30 May 2014 entered into by Century Sunshine (as guarantor) in favour of IFC in respect of the obligation of Baishan Tianan under the loan agreement referred to in (i) above (and as amended and restated on 7 December 2015 and as may be further amended and restated from time to time)
“IFC Loan Guarantee”	guarantee given by Century Sunshine for payment obligations in respect of the IFC Loan
“Independent Shareholders”	shareholders of the relevant company excluding (a) in the case of Century Sunshine, Mr. Shum Sai Chit and Ms. Chi Bi Fen; and (b) in the case of Group Sense, Ming Xin
“Independent Third Party(ies)”	third party(ies) independent of Century Sunshine and Group Sense and their connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2017 or such later date as may be agreed between the parties to the CIIL SPA or the WU SPA (as the case may be)

“Ming Xin”	Ming Xin Developments Limited, a company incorporated in the British Virgin Islands with limited liability and a Controlling Shareholder of Group Sense holding 1,491,197,454 GS Shares, representing approximately 51.88% of the existing GS Shares in issue as at the date of this joint announcement
“Percentage Ratios”	percentage ratios as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	the People’s Republic of China which, for the purpose of this joint announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Reorganisation”	the reorganisation of the ownership structure of FGL and CRE to be effected as a result of the CIIL SPA and the WU SPA
“SGM”	a special general meeting of Group Sense to be convened for the purpose of considering and, if thought fit, approving, amongst other things, the CIIL SPA, the WU SPA and the transactions contemplated thereunder, the issue of the Consideration Ordinary Shares, the creation of the Convertible Bond and the issue and allotment of the Conversion Shares
“Shareholder’s Loan”	the amount of approximately HK\$175,000,000 and not more than RMB153,000,000 owed by CRE to Century Sunshine as at the date of CIIL SPA and at Completion respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Target Group”	FGL and its subsidiaries
“Transactions”	the CIIL Transaction and the WU Transaction
“Vendor Guarantors”	Century Sunshine and Ming Xin, being the guarantors of the obligations of CIIL under the CIIL SPA

“Win Union”	Win Union Limited, a company incorporated in the British Virgin Islands with limited liability which holds 10 FGL Shares (representing 0.50% of the existing FGL Shares in issue) and 900 CRE Shares (representing approximately 8.72% of the existing CRE Shares in issue) as at the date of this joint announcement
“WTIL”	Wan Tai Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly and wholly-owned special purpose vehicle of CCB International (Holdings) Limited
“WU Consideration Shares”	430,080,020 GS Shares to be issued and allotted to Win Union pursuant to the WU SPA
“WU SPA”	the sale and purchase agreement dated 1 September 2017 and entered into by, amongst others, Win Union (as vendor) and GS Purchaser (as purchaser) in respect of 0.50% of the existing FGL Shares in issue and 8.72% of the existing CRE Shares in issue
“WU Transaction”	the sale, by Win Union, and purchase, by GS Purchaser of (i) 10 FGL Shares (representing 0.50% of the FGL Shares in issue) and (ii) 900 CRE Shares (representing approximately 8.72% of the existing CRE Shares in issue) pursuant to the terms of the WU SPA
“Xinjiang Tengxiang”	新疆騰翔鎂製品有限公司 (Xinjiang Tengxiang Magnesium Products Company Limited*), a company established in the People’s Republic of China with limited liability and an indirect wholly owned subsidiary of Group Sense as at the date of this joint announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time
“RMB”	Renminbi, the lawful currency of the PRC from time to time
“%”	per cent

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

By order of the Board  
**Group Sense (International) Limited**  
**Shum Sai Chit**  
*Chairman*

Hong Kong, 1 September 2017

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

*Executive directors:* Mr. Chi Wen Fu, Mr. Shum Sai Chit and Ms. Chi Bi Fen

*Non-executive director:* Mr. Guo Mengyong

*Independent non-executive directors:* Mr. Kwong Ping Man, Mr. Sheng Hong and Mr. Lau Chi Kit

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

*Executive directors:* Mr. Shum Sai Chit and Ms. Chi Bi Fen

*Non-executive directors:* Professor Meng Jian and Dr. Tam Wai Ho, Samson JP

*Independent non-executive directors:* Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Kwan Ngai Kit

*\* For identification purpose only.*

*The translations of US\$ into HK\$ and RMB into HK\$ throughout this joint announcement are based on the exchange rate of RMB1.00 to HK\$1.12, US\$1.00 to HK\$7.8 respectively, and are provided for information purposes only.*