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RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00601)

CONNECTED TRANSACTION IN RELATION TO PROPOSED ALTERATION OF CONDITIONS OF THE CONVERTIBLE BOND

INTRODUCTION

On 30 November 2017, the Convertible Bond in the principal amount of HK$420,000,000 was issued by the Company to Ming Xin as announced in the joint announcement of the Company and Century Sunshine dated 1 September 2017 and particularised in the circular of the Company dated 27 October 2017.

On 15 January 2020 (after trading hours), (i) the Company and Ming Xin passed the necessary resolutions, respectively, and agreed that certain terms of the Convertible Bond shall be amended in accordance with the Supplemental Deed; and (ii) the Company executed the Supplemental Deed pursuant to which the Company agreed to amend certain terms and conditions of the Convertible Bond.

As at the date of this announcement, Ming Xin is a substantial shareholder of the Company and the holder of 100% of the outstanding Convertible Bond in the principal amount of HK$420,000,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ming Xin is a substantial shareholder of the Company and accordingly a connected person to the Company. Ming Xin is an indirect wholly-owned subsidiary of Century Sunshine. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Convertible Bond exceed 5% and are less than 25% but the principal amount of the Convertible Bond is more than HK$10,000,000, the transaction is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Alteration of Conditions contemplated under the Supplemental Deed involves a material variation of the terms of the Convertible Bond, pursuant to the Note to Rule 14A.35 of the Listing Rules, the Company shall comply with all other applicable provisions under the Chapter 14A of the Listing Rules including reporting, announcement and Independent Shareholders' approval requirements.

GENERAL

The Supplemental Deed and the Alteration of Conditions contemplated thereunder, are subject to, among others, the approval of Independent Shareholders at the SGM. In this regard, at the SGM to be convened for the purpose of approving the Alteration of Conditions, Ming Xin will abstain from voting on the relevant resolution(s).

The Company has appointed Gram Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Alteration of Conditions.

A circular containing, among others, (i) further details of the Supplemental Deed and the Alteration of Conditions contemplated thereunder and the extension of the Specific Mandate; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; (iii) a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the SGM is expected to be despatched to the Shareholders on or before 7 February 2020.

Save as disclosed above and as at the date of this announcement, to the best of the knowledge, information and belief of the Board, after having made all reasonable enquiries, save for Ming Xin, no other Shareholder is materially interested in the Alteration of Conditions and therefore will be required to abstain from voting on the relevant resolution(s) at the SGM.

INTRODUCTION

References are made to the joint announcement of the Company and Century Sunshine dated 1 September 2017, the circular of Century Sunshine dated 27 October 2017, the circular of the Company (formerly known as Group Sense (International) Limited) dated 27 October 2017 and the joint announcement of the Company and Century Sunshine dated 30 November 2017 in relation to, among others, the Convertible Bond.

On 30 November 2017, the Convertible Bond in the principal amount of HK$420,000,000 was issued by the Company to Ming Xin as announced in the joint announcement of the Company and Century Sunshine dated 1 September 2017 and particularised in the circular of the Company dated 27 October 2017. Pursuant to the original conditions, the Convertible Bond bears interest at the rate of 4% per annum and the Convertible Bond is convertible into the Conversion Shares at the initial conversion price of HK$0.40 per Conversion Share, at the option of the holders thereof, at any time and from time to time during the period commencing on the seventh day 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 Shares falling below the minimum public float requirement 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.

As at the date of this announcement, Ming Xin is a substantial shareholder of the Company and the holder of 100% of the outstanding Convertible Bond in the principal amount of HK$420,000,000.

PROPOSED ALTERATION OF CONDITIONS OF CONVERTIBLE BOND

On 15 January 2020 (after trading hours), (i) the Company and Ming Xin passed the necessary resolutions, respectively, and agreed that certain terms of the Convertible Bond shall be amended in accordance with the Supplemental Deed; and (ii) the Company executed the Supplemental Deed pursuant to which the Company agreed to amend certain terms and conditions of the Convertible Bond. The table below sets out the comparison between the original conditions and the Alteration of Conditions as contemplated under the Supplemental Deed:

	Original conditions	**Alteration of Conditions as contemplated under the Supplemental Deed**
"**Interest Rate**"	means 4% per annum;	means 4% per annum from (and including) 30 November 2017 up to (and including) 30 November 2020 and 3% per annum from (and including) 1 December 2020 up to (and excluding) the Maturity Date; and
"**Maturity Date**"	means 30 November 2020 or, if that is not a business day, the first business day thereafter;	means 31 January 2023 or, if that is not a business day, the first business day thereafter.

Save as disclosed above, the principal terms of the Convertible Bond as disclosed in the joint announcement of the Company and Century Sunshine dated 1 September 2017, the circular of Century Sunshine dated 27 October 2017, the circular of the Company (formerly known as Group Sense (International) Limited) dated 27 October 2017 and the joint announcement of the Company and Century Sunshine dated 30 November 2017 in relation to, among others, the issue of the Convertible Bond remain unchanged and are still in full force and effect.

Pursuant to the Supplemental Deed, the Alteration of Conditions automatically and without further act will be effective immediately subject to the following conditions precedent that:

(i) the Listing Committee of the Stock Exchange has granted its approval regarding the listing of, and a permission to deal in, the Conversion Shares to be issued by the Company upon conversion of the Convertible Bond;

(ii) the Independent Shareholders have approved in the SGM the Supplemental Deed and the Alteration of Conditions thereunder; and

(iii) the Bondholder has passed a written resolution to approve the Alteration of Conditions contemplated under the Supplemental Deed.

Interest Rate

The interest rate is 4% per annum from (and including) 30 November 2017 up to (and including) 30 November 2020. The interest rate will be changed to 3% per annum from (and including) 1 December 2020 thereof up to (and excluding) 31 January 2023.

Maturity Date

The Maturity Date will be changed from the third anniversary of the date of issue of the Convertible Bond, namely, 30 November 2020 to 31 January 2023.

Extension of the Specific Mandate to issue the Conversion Shares

During the special general meeting of the Company held on 21 November 2017, a specific mandate (the "**Specific Mandate**") was granted by the Shareholders pursuant to which the Directors are authorised to allot and issue the Conversion Shares upon conversion of the Convertible Bond up to and including the date which is seven days prior to the then Maturity Date (i.e. 30 November 2020). In view of the new Maturity Date, being 31 January 2023 contemplated under the Alteration of Conditions, the Conversion Shares issued and allotted upon exercise of the conversion rights after expiry of the Specific Mandate will be allotted and issued pursuant to the extended Specific Mandate to be sought from the Independent Shareholders at the SGM. The extended Specific Mandate will be valid from the date of grant of the Specific Mandate under the Listing Rules or the date of passing of the relevant resolutions at the SGM, whichever is later, up to and including the date which is seven days prior to the new Maturity Date and will cease to be effective if any conditions precedent have not been satisfied. In such case, the Company will comply with the applicable Listing Rules, and seek approval from its Shareholders or Independent Shareholders where required.

APPLICATION OF LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR AND BENEFITS OF THE ALTERATION OF CONDITIONS

The Group is principally engaged in the research and development, production and sales of a range of magnesium alloys.

Ming Xin, a substantial shareholder of the Company, and an indirect wholly-owned subsidiary of Century Sunshine, is an investment holding company.

The Convertible Bond will, but for the Alteration of Conditions, mature on 30 November 2020 upon which the Company would be required to deploy its cash reserves to redeem the Convertible Bond. The Alteration of Conditions in effect allows the Company to refinance its debts under the Convertible Bond on normal commercial terms for further some two years, and to provide flexibility to the Company's working capital management. Accordingly, the Board considers that the terms of the Supplemental Deed (i) were entered into on normal commercial terms following arm's length negotiations between the Company and Ming Xin; (ii) are fair and reasonable; and (iii) are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ming Xin is a substantial shareholder of the Company and accordingly a connected person to the Company. Ming Xin is an indirect wholly-owned subsidiary of Century Sunshine. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Convertible Bond exceed 5% and are less than 25% but the principal amount of the Convertible Bond is more than HK$10,000,000, the transaction is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Alteration of Conditions contemplated under the Supplemental Deed involves a material variation of the terms of the Convertible Bond, pursuant to the Note to Rule 14A.35 of the Listing Rules, the Company shall comply with all other applicable provisions under the Chapter 14A of the Listing Rules including reporting, announcement and Independent Shareholders' approval requirements.

GENERAL

The Supplemental Deed and the Alteration of Conditions contemplated thereunder, are subject to, among others, the approval of Independent Shareholders at the SGM. In this regard, at the SGM to be convened for the purpose of approving the Alteration of Conditions, Ming Xin will abstain from voting on the relevant resolution(s).

The Company has appointed Gram Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Alteration of Conditions.

A circular containing, among others, (i) further details of the Supplemental Deed and the Alteration of Conditions contemplated thereunder and the extension of the Specific Mandate; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; (iii) a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the SGM is expected to be despatched to the Shareholders on or before 7 February 2020.

Save as disclosed above and as at the date of this announcement, to the best of the knowledge, information and belief of the Board, after having made all reasonable enquiries, save for Ming Xin, no other Shareholder is materially interested in the Alteration of Conditions and therefore will be required to abstain from voting on the relevant resolution(s) at the SGM.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them:

"Alteration of Conditions"	the proposed alteration of certain terms and conditions of the Convertible Bond pursuant to the Supplemental Deed
"Board"	the board of Directors
"Bondholder"	the holder of the Convertible Bond
"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 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)

"Company"	Rare Earth Magnesium Technology Group Holdings 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), an indirect non-wholly-owned subsidiary of Century Sunshine
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Conversion Shares"	Shares to be issued upon conversion of the Convertible Bond
"Convertible Bond"	the convertible bond in the aggregate principal amount of HK$420,000,000 issued by the Company to Ming Xin on 30 November 2017
"Director(s)"	the director(s) of the Company
"Gram Capital" or "Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Alteration of Conditions
"Group"	the Company and its subsidiaries
"Independent Board Committee"	an independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Alteration of Conditions
"Independent Shareholders"	Shareholders excluding Ming Xin
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Ming Xin"	Ming Xin Developments Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of the Company, and an indirect wholly-owned subsidiary of Century Sunshine as at the date of this announcement

“SGM”	the special general meeting of the Company to be convened and held to consider, and if thought fit, to approve the Supplemental Deed and the Alteration of Conditions contemplated thereunder
“Share(s)”	ordinary share(s) of a par value of HK$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Supplemental Deed”	the supplemental deed poll dated 15 January 2020 executed by the Company in relation to the Alteration of Conditions
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time
“%”	per cent.

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

Hong Kong, 15 January 2020

As at the date of this announcement, the directors of the Company are:

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