THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Rare Earth Magnesium Technology Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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

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

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Supplemental Deed and the Alteration of Conditions contemplated thereunder is set out on pages 18 to 19 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed and the Alteration of Conditions contemplated thereunder is set out on pages 20 to 28 of this circular.

A notice convening an SGM of the Company to be held at Suite 1105, 11th Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 11 March 2020 at 2:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

18 February 2020

CONTENT

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

"Adjustment Events"	the events that leads to customary adjustment of the Conversion Price as disclosed in the paragraph headed "The principal terms of the Convertible Bond"
"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(s)"	the holder(s) 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 Price"	the conversion price of the Convertible Bond, initially being HK0.40 per Conversion Share, subject to adjustments upon occurrence of the Adjustment Events
"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 corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Deed and the Alteration of Conditions contemplated thereunder
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee of the Company comprising Mr. Kwong Ping Man, Mr. Cheung Sound Poon, who is an independent non-executive Director of Century Sunshine and does not have any material interest in the Alteration of Conditions, and Mr. Kwan Ngai Kit, being the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in relation to the Supplemental Deed and the Alteration of Conditions contemplated thereunder
"Independent Shareholders"	Shareholders excluding Ming Xin
"Interest Rate"	the interest rate in respect of the outstanding principal amount of the Convertible Bond, initially being 4% per annum, which was proposed to be altered as disclosed in the paragraph headed "Proposed Alteration of Conditions of Convertible Bond"
"Last Trading Day"	15 January 2020, being the last day on which the Shares are traded on the Stock Exchange immediately prior to the execution of the Supplemental Deed
"Latest Practicable Date"	12 February 2020
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	the maturity date of the Convertible Bond, initially being 30 November 2020 or, if that is not a Business Day, the first business day thereafter, which was proposed to be altered as disclosed in the paragraph headed "Proposed Alteration of Conditions of Convertible Bond"

"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 circular
"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
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00601)

Executive Directors:
Mr. Shum Sai Chit
Mr. Chi Jing Chao

Non-executive Directors:
Professor Meng Jian
Dr. Tam Wai Ho, Samson JP

Independent non-executive Directors:
Mr. Kwong Ping Man
Mr. Cheung Sound Poon
Mr. Kwan Ngai Kit

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Suite 1105, 11th Floor
Tower 6, The Gateway
9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

18 February 2020

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

References are made to the announcement of the Company dated 15 January 2020, 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 1 September 2017, to better delineate the business of the Century Sunshine and the Company, Sure Sino Global Limited ("**Sure Sino**"), a wholly-owned subsidiary of the Company, entered into the following agreements:

(i) a sale and purchase agreement (the "**CIIL SPA**") with Capital Idea Investments Limited ("**CIIL**"), a wholly-owned subsidiary of Century Sunshine, for the purchase from CIIL of 1,990 shares of Fullocean Group Limited ("**FGL**") (representing 99.50% of the FGL's shares then in issue) and 2,710 shares of China Rare Earth Magnesium Technology Holdings Limited ("**CRE**") (representing approximately 26.29% of the CRE's shares then in issue); and

(ii) a sale and purchase agreement (the "**WU SPA**") with Win Union Limited ("**Win Union**"), an investment holding company and together with its ultimate beneficial owner being third parties independent from the Company, Century Sunshine and their connected persons, for the purchase from Win Union of 10 shares of FGL (representing 0.50% of the FGL's shares then in issue) and 900 shares of CRE (representing approximately 8.72% of the CRE's shares then in issue).

As at 1 September 2017, FGL held 6,700 shares of CRE (representing approximately 64.99% of CRE's shares then in issue).

Pursuant to the CIIL SPA, the consideration of the sale of shares of FGL and CRE by CIIL to Sure Sino is HK$1,727,967,992, which was on 30 November 2017 settled by (i) the issue of 3,269,919,980 Shares to Ming Xin at an issue price of HK$0.40 per Share as to HK$1,307,967,992; and (ii) the issue of the Convertible Bond to Ming Xin in the principal amount of HK$420,000,000 as to the balance of HK$420,000,000.

Pursuant to the WU SPA, the consideration of the sale of shares of FGL and CRE by Win Union to Sure Sino is HK$172,032,008, which was on 30 November 2017 settled by the issue of 430,080,020 Shares to Win Union at an issue price of HK$0.40 per Share.

Prior to the completion of CIIL SPA and WU SPA, FGL originally owned as to 99.50% by CIIL and 0.50% by Win Union; while CRE was owned as to approximately 64.99%, 26.29% and 8.72% by FGL, CIIL and Win Union, respectively. Upon completion of the CIIL SPA and WU SPA on 30 November 2017, FGL became a wholly-owned subsidiary of Sure Sino; while CRE was owned as to approximately 64.99% and 35.01% by FGL and Sure Sino, respectively.

FGL is an investment holding company incorporated in the British Virgin Islands with limited liability on 2 April 2008. CRE is a private company incorporated in Hong Kong with limited liability on 5 May 2008. CRE and its subsidiaries together principally engaged in the research and development, production and sales of a range of magnesium alloys.

The principal terms of the Convertible Bond

The principal terms of the Convertible Bond when it was issued to Ming Xin on 30 November 2017 are as follows:

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

Conversion Price : HK$0.40 per Conversion Share (subject to adjustments upon certain "Adjustment Events" as described below).

Adjustment Events : The Conversion Price is subject to customary adjustment upon occurrence of, among other things, the following events (the "**Adjustment 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 95% 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 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 the Company (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 the Company.

Purchase/Redemption : The Company or any of its subsidiaries may repurchase the Convertible Bond in accordance with the Counter Indemnity (as defined below) and any Convertible Bond so purchased shall forthwith be cancelled by the Company.

Under the Counter Indemnity, if neither CIIL, Century Sunshine or Ming Xin makes a payment in full when demand is made against Baishan Tianan (as defined below) for the performance of the BOC/Jiangsu Loan Guarantee (as defined below), the Company 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, 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 the Company 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 the Company until the BOC/Jiangsu Loan Guarantee is released and discharged or replacement security provided or if the Company 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 the Company 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 the Company at its sole discretion.

There was no amendment to any terms of the Convertible Bond (including the initial Conversion Price) between its issuance on 30 November 2017 and the Latest Practicable Date.

Undertakings and Counter Indemnity from CIIL, Century Sunshine and MingXin in respect of BOC/Jiangsu Loan Guarantee and Financial Assistance from Century Sunshine and its subsidiaries (together, the "CS Group")

BOC/Jiangsu Loan Guarantee

白山市天安金屬鎂礦業有限公司 (Baishan City Tianan Magnesium Resources Co., Ltd.*) ("**Baishan Tianan**"), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of CRE, as the guarantor gave a guarantee ("**BOC/Jiangsu Loan Guarantee**") in respect of the payment obligation of a subsidiary of Century Sunshine under a loan in the aggregate principal amount of RMB170,000,000, which was advanced pursuant to a loan agreement dated 8 December 2015 entered into by the 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**").

Undertakings by CIIL, Century Sunshine and Ming Xin

CIIL, Century Sunshine and Ming Xin have given the following undertakings under the CIIL SPA:

(a) after the publication of the joint announcement dated 1 September 2017 by Century Sunshine and the Company, 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 of the transactions in accordance with the terms of the CIIL SPA and the WU SPA (the "**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 deed of counter indemnity in favour of Sure Sino, the Company and Baishan Tianan in relation to the obligations of FGL and/or its subsidiaries under the BOC/Jiangsu Loan Guarantee (the "**Counter Indemnity**") in favour of the Company, the GS Purchaser and Baishan Tianan; and

(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 and ABC Loans (as defined below).

CIIL, Century Sunshine and Ming Xin have executed the Counter Indemnity at Completion. As at the Latest Practicable Date, the BOC/Jiangsu Loan has been repaid in full and the BOC/Jiangsu Loan Guarantee has been released and the Blocked Bond has been released to Ming Xin, being capable of transfer and conversion. As at the Latest Practicable Date, the Counter Indemnity has been released.

Financial Assistance from CS Group

Members of the CS Group provided the following financial assistance to the CS Group, excluding the Group:

(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 (the "**CRE Loan**");

(b) the Loan granted by International Finance Corporation, an international organisation established by articles of agreement among its member countries including the PRC ("**IFC**") to Baishan Tianan for a principal amount of US$27 million which is repayable through semi-annual instalments between the period from 15 October 2016 to 15 April 2021 and is guaranteed by Century Sunshine (the "**IFC Loan**"); and

(c) the guarantee given by a PRC subsidiary of Century Sunshine (not being a member of the Group or a subsidiary of FGL) for payment obligations of Baishan Tianan in respect of the loans in the aggregate principal amount of RMB140,000,000 advanced pursuant to various loan agreements entered into in 2014 and 2015 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, which is repayable through semi-annual installment based on drawn date between the period from 25 March 2016 to 25 March 2023 (the **"ABC Loans"**).

As at 30 June 2019:

(a) the outstanding amount of the CRE Loan amounted to HK$149,307,000 and there was no circumstance or event of default that would trigger the requirement of early repayment by CRE;

(b) the outstanding amount of the IFC Loan amounted to US$10.9 million (equivalent to approximately HK$84,851,000) and there was no circumstance or event of default that would trigger the requirement of early repayment by Baishan Tianan and the relevant guarantee by Century Sunshine remains valid and subsisting; and

(c) the aggregate outstanding amount of the ABC Loans amounted to RMB87,800,000 (equivalent to approximately HK$99,521,000) and no further drawdown will be made under the ABC Loans and there was no circumstance or event of default that would trigger the requirement of early repayment by Baishan Tianan and the relevant guarantee by the PRC subsidiary of Century Sunshine remains valid and subsisting.

For further details in relation to the Convertible Bond and the relevant reorganisation plan of the Company and Century Sunshine, please refer to the announcement of the Company dated 15 January 2020, 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.

As at the date of this circular, 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.

The purpose of this circular is to provide you with information relating to the Supplemental Deed and the Alteration of Conditions contemplated thereunder.

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; and	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, there is no long stop date to the completion of the Alteration of Conditions, as the Alteration of Conditions shall become effective automatically without further action and immediately after the satisfaction of the following conditions precedent:

(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.

No Adjustment Events have occurred during the period between the issuance of the Convertible Bond on 30 November 2017 and the Latest Pracicable Date. As at the Latest Practicable Date, no customary adjustment is required to be made to the initial Conversion Price.

The initial Conversion Price of HK$0.40 per Share represents:

(i) a premium of approximately 33.33% to the closing price of HK$0.300 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 35.59% to the average closing price of approximately HK$0.295 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

(iii) a preimum of approximately 40.35% to the closing price of HK$0.285 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 as 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 passing of the relevant resolution at the SGM 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 stated in the Supplemental Deed have not been satisfied.

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 on the Stock Exchange. No application will be made or has been made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange.

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 Board has considered other alternative funding means including debt and equity financing. In assessing the appropriateness and fairness of the Alteration of Conditions to the Company and its Shareholders, the Board has considered in particular the following factors:-

(a) the Alteration of Conditions will provide more flexibility to the Group's working capital management by allowing the Company to refinance its debts under the Convertible Bond on normal commercial terms for further some two years;

(b) the Convertible Bond with the revised Interest Rate of 4% per annum between 30 November 2017 and 30 November 2020; and 3% per annum from 1 December 2020 up to (and excluding) the Maturity Date is of better terms than other debt financing means available to the Company and are significantly lower than the weighted effective interest rate of bank borrowing and other borrowing of the Group of approximately 6.18% and 5.14% per annum as at 31 December 2018 and 31 December 2017, respectively; and

(c) the Conversion Price of HK$0.40 per Share, assuming no Adjustment Events shall occur, demonstrates substantial premium of approximately 35.59% to the average closing price of approximately HK$0.295 per Share for the last five consecutive trading days up to and including the Last Trading Day.

Based on the above, 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.

The Alteration of Conditions was proposed to refinance its debts and provide more flexibility to the Group's working capital management and not for any new business operations or development plan of the Group. In the event that the Alteration of Conditions is not approved by the Independent Shareholders in the SGM, the Company is in a position to redeem the Convertible Bond and shall repay the debts thereunder with the working capital of the Group upon the original Maturity Date and/or issue the Conversion Shares upon exercise of the Conversion Rights by the Bondholder.

For illustration purposes only, set out below is the shareholding structure of the Company in respect of the Shares (i) as at the Latest Practicable Date; (ii) immediately after the issue and allotment of the Conversion Shares upon conversion of the Convertible Bond at the initial Conversion Price up to the extent that the public float of the Shares become 25% (without taking into account the Takeover Code related restrictions); and (iii) immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bond at the initial Conversion Price (without taking into account the Takeover Code related restrictions).

Shareholders	**As at the Latest Practicable Date**		**Immediately after the issue and allotment of the Conversion Shares up to the extent the public float becomes 25%**		**Immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bond**	
	Number of Shares	*Approximate % of shareholdings*	*Number of Shares*	*Approximate % of shareholdings*	*Number of Shares*	*Approximate % of shareholdings*
Ming Xin	4,761,117,434	72.31	4,894,544,928	72.86	5,811,117,434	76.12
Tam Wai Ho, Samson JP *(Note)*	143,818,236	2.18	143,818,236	2.14	143,818,236	1.88
Public Shareholders	1,679,454,388	25.51	1,679,454,388	25.00	1,679,454,388	22.00
Total	6,584,390,058	100.00	6,717,817,552	100.00	7,634,390,058	100.00

*Note: Such shares included (i) the 12,000,000 Shares directly owned by Dr. Tam Wai Ho, Samson JP ("**Dr. Tam**"), the non-executive Director; (ii) the 51,464,000 Shares jointly owned by Dr. Tam and Mr. Tam Wai Tong, Thomas ("**Mr. Tam**"); (iii) the 4,600,000 Shares owned by Mrs. Tam Mui Ka Wai who is the spouse of Dr. Tam; and (iv) the 75,754,236 Shares which are beneficially owned by Earnmill Holdings Limited, a company which is ultimately wholly owned by Dr. Tam and Mr. Tam, in equal shares.*

LISTING RULES IMPLICATIONS

As at the date of this circular, 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% and the principal amount of the Convertible Bond is more than HK$10,000,000, the transaction constitutes a non-exempt connected transaction of the Company and 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.

Pursuant to Rule 13.36(1)(a) of the Listing Rules, the issue of the Convertible Bonds carrying the right to convert into Conversion Shares is subject to approval by the Shareholders. The Company will convene the SGM to seek the approval of the Independent Shareholders on the allotment and issue of the Conversion Shares up to and including the date which is seven days prior to the new Maturity Date, being 31 January 2023. For further details, please refer to the paragraph headed "Extension of the Specific Mandate to issue the Conversion Shares".

SGM

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM to be held at Suite 1105, 11th Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 11 March 2020 at 2:30 p.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Supplemental Deed and the Alteration of Conditions contemplated thereunder and the extension of the Specific Mandate.

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

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save for Ming Xin, no other Shareholder is interested in the Supplemental Deed and the Alteration of Conditions contemplated thereunder and will be required to abstain from voting on the resolution to approve the Supplemental Deed and the Alteration of Conditions contemplated thereunder at the SGM.

RECORD DATE

For determining the entitlement to attend and vote at the SGM or any adjournment thereof, the record date is fixed on Thursday, 5 March 2020. Shareholders whose names appear on the register of members of the Company at the close of business on the record date will be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 5 March 2020.

RECOMMENDATION

Taking into account the reasons as set out in the paragraph headed "Reasons for and benefits of the Alteration of Conditions" above, the Directors are of the view that the Supplemental Deed and the Alteration of Conditions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors including the independent non-executive Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplemental Deed and the Alteration of Conditions contemplated thereunder.

The Independent Board Committee, having considered the advice of Gram Capital, is of the view that the terms of the Supplemental Deed and the Alteration of Conditions contemplated thereunder are on normal commercial basis, fair and reasonable, and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplemental Deed and the Alteration of Conditions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from Gram Capital contained in this circular.

The Shareholders and potential investors should be aware that the Supplemental Deed and the Alteration of Conditions contemplated thereunder are subject to the fulfilment of the conditions precedent. Accordingly, the Alteration of Conditions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is also drawn to the addition information set out in the appendix to this circular.

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

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Deed and the Alteration of Conditions contemplated thereunder.

稀鎂科技集團控股有限公司
RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 00601)

18 February 2020

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular (the "**Circular**") dated 18 February 2020 issued by the Company to its shareholders of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders on the Supplemental Deed and the Alteration of Conditions contemplated thereunder. Gram Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us in this regard. Details of the advice of Gram Capital, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 20 to 28 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

After taking into account the factors and reasons considered by Gram Capital and its conclusion and advice, we consider the entering into the Supplemental Deed is in the ordinary and usual course of business of the Company and we concur with its views and consider that the terms of the Supplemental Deed and the Alteration of Conditions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to approve the Supplemental Deed and the Alteration of Conditions contemplated thereunder.

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

Mr. Kwong Ping Man **Mr. Cheung Sound Poon** **Mr. Kwan Ngai Kit**

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Alteration of Conditions for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

18 February 2020

To: The independent board committee and the independent shareholders of Rare Earth Magnesium Technology Group Holdings Limited

Dear Sir/ Madam,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Alteration of Conditions, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 18 February 2020 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

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, (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.

With reference to the Board Letter, 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.

The Independent Board Committee comprising Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Kwan Ngai Kit (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Alteration of Conditions are on normal commercial terms and are fair and reasonable; (ii) whether the Alteration of Conditions is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Alteration of Conditions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Alteration of Conditions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility for the information contained therein, includes particulars given in compliance with the Listing Rules for the purpose of giving information relating to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Ming Xin or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Alteration of Conditions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Alteration of Conditions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Alteration of Conditions

Information on the Group

With reference to the Board Letter, the Group is principally engaged in the research and development, production and sales of a range of magnesium alloys.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2019 and the two years ended 31 December 2018 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "**2019 Interim Report**") and the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"):

	For the six months ended 30 June 2019	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**	**Year-on-year change from 2017 to 2018**
	HK$'000	*HK$'000*	*HK$'000*	*%*
	(unaudited)	*(audited)*	*(audited)*	
Revenue	726,229	1,537,781	1,158,261	32.77
Profit for the year/period	116,295	285,860	184,067	55.30

	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)	As at 31 December 2017 HK$'000 (audited)	Year-on-year change from 2017 to 2018 %
Cash and cash equivalents	123,926	131,276	172,854	(24.05)
Pledged bank deposits	9,748	24,732	33,981	(27.22)
Net assets	1,361,587	1,271,217	1,123,244	13.17

As shown in the table above, the Group recorded revenue of approximately HK$1.54 billion for the year ended 31 December 2018 ("**FY2018**"), representing an increase of approximately 32.77% as compared to that for the year ended 31 December 2017 ("**FY2017**"). With reference to the 2018 Annual Report, the increase in revenue was mainly driven by increase in the Group's magnesium alloy sale volume. In addition, the Group recorded profit of approximately HK$285.86 million for FY2018, representing an increase of approximately 55.30% as compared to that for FY2017. With reference to the 2018 Annual Report, the significant increase in profit was mainly due to the one-off disposal gain arising from the discontinued operations, the increase in overall production and sales volume, together with the cost efficiency driven by the optimization of production processes.

As at 30 June 2019, the Group had cash and cash equivalents, pledged bank deposits and net assets of approximately HK$123.93 million, HK$9.75 million and HK$1.36 billion respectively.

Information on Ming Xin

With reference to the Board Letter, Ming Xin is a substantial Shareholder and an indirect wholly-owned subsidiary of Century Sunshine. Ming Xin is an investment holding company.

Reasons for and benefits of the proposed Alteration of Conditions

With reference to the Board Letter and as confirmed by the Directors, the Convertible Bond will mature on 30 November 2020. Should the Convertible Bond remain outstanding and not being converted into new Shares upon maturity, the Company will be required to deploy its cash reserves to redeem the Convertible Bond. The Board has considered other alternative funding means including debt and equity financing. In assessing the appropriateness and fairness of the Alteration of Conditions to the Company and its Shareholders, the Board has considered in particular the following factors:

(a) the Alteration of Conditions will provide more flexibility to the Group's working capital management by allowing the Company to refinance its debts under the Convertible Bond on normal commercial terms for further two years and two months;

(b) the Convertible Bond with the revised Interest Rate of 3% per annum from 1 December 2020 up to (and excluding) the Maturity Date is of better terms than other debt financing means available to the Company and are significantly lower than the weighted effective interest rate of bank borrowing and other borrowing of the Group of approximately 6.18% and 5.14% per annum as at 31 December 2018 and 31 December 2017, respectively; and

(c) the Conversion Price of HK$0.40 per Share, assuming no Adjustment Events shall occur, demonstrates substantial premium of approximately 35.59% to the average closing price of approximately HK$0.295 per Share for the last five consecutive trading days up to and including the Last Trading Day.

Based on the above, 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.

With reference to the Board Letter, the Alteration of Conditions was proposed to refinance its debts and provide more flexibility to the Group's working capital management and not for any new business operations or development plan of the Group. In the event that the Alteration of Conditions is not approved by the Independent Shareholders in the SGM, the Company is in a position to redeem the Convertible Bond and shall repay the debts thereunder with the working capital of the Group upon the original Maturity Date and/or issue the Conversion Shares upon exercise of the Conversion Rights by the Bondholder.

As the Share price up to the original maturity date of 30 November 2020 is unknown (which may or may not encourage conversion of the Convertible Bond before that date), it is justifiable for the Company to process with the Alteration of Conditions now to have more certainty for its financial planning.

As mentioned above, the Group had bank and cash balances of approximately HK$123.93 million and pledged bank deposits of approximately HK$9.75 million as at 30 June 2019 (approximately HK$131.28 million and HK$24.73 million as at 31 December 2018). We also noted that the Group's net cash generated from operating activities was approximately HK$318.61 million for FY2018 and approximately HK$41.91 million for the six months ended 30 June 2019 (approximately HK$231.80 million for the six months ended 30 June 2018). As advised by the Directors, the above drop in the Group's operating cash flow and cash level was mainly caused by increase in prepayments, deposits and other receivables. Accordingly, we consider that the Alteration of Conditions will enable the Company to postpone substantial cash outflow, ease the liquidity pressure of the Group and allow the Group to retain more financial resources for its business operations and/or development.

According to the 2018 Annual Report, the Group's weighted effective interest rate of bank borrowing and other borrowing as at 31 December 2018 was approximately 6.18% (the "**Group Borrowing Rate**"). The Interest Rate of 3% (after the Alteration of Conditions and commencing from 1 December 2020) is below the aforesaid Group Borrowing Rate. As aforementioned, the Board considered the Interest Rate is also of better terms than other debt financing means available to the Company. For our due diligence purpose, we (i) obtained certain term sheets of debt financing/possible debt financing available to the Company; and (ii) noted from such term sheets that the Interest Rate of 3% (after the Alteration of Conditions and commencing from 1 December 2020) is lower than the interest rates stated under such term sheets.

Having considered the above, we are of the view that although the Alteration of Conditions is not conducted in the ordinary and usual course of business of the Company, it is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Alteration of Conditions

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.

Set out below are the Alteration of Conditions as 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.

Save as disclosed above, the principal terms of the Convertible Bond remain unchanged and are still in full force and effect.

Comparison of Conversion Price with historical Share price

The Conversion Price of HK$0.40 will remain unchanged and represent:

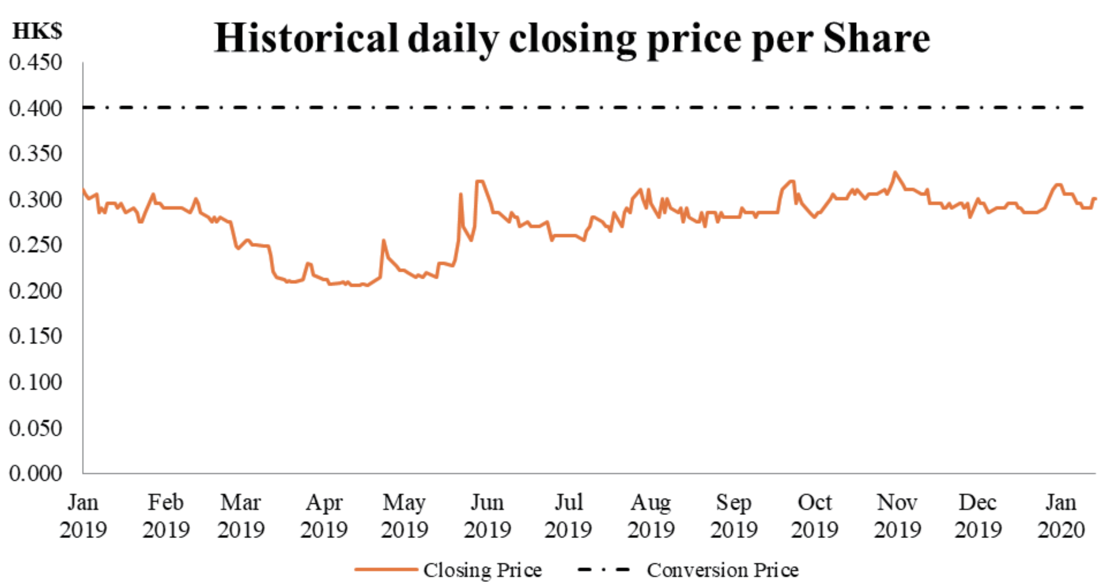
(a) a premium of approximately 40.35% over the closing price per Share of HK$0.285 as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a premium of approximately 33.33% over the closing price of HK$0.300 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 35.59% over the average closing price of HK$0.295 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

(d) a premium of approximately 33.78% over the average closing price of HK$0.299 per Share as quoted on the Stock Exchange for the last three months up to and including the Last Trading Day.

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 2 January 2019 up to and including 15 January 2020 (i.e. the Last Trading Day) (the "**Review Period**"), being a period of approximately one year prior to and including the Last Trading Day. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:



Source: the Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.206 recorded on 12 April 2019, 15 April 2019 and 18 April 2019, and HK$0.330 per Share recorded on 1 November 2019. As depicted from the above chart, there was no specific movement trend of the Shares closing prices during the Review Period.

The Conversion Price of HK$0.4 is above the daily closing prices of the Shares as quoted on the Stock Exchange during the entire Review Period.

Comparison with other convertible bond/note

As part of our analysis, we also identified placing/subscription of convertible bond (the "**CB Comparables**") which were announced by listed companies in Hong Kong from 15 October 2019 up to 15 January 2020 (i.e. the Last Trading Day), being an approximate three months period prior to and including the Last Trading Day. To the best of our knowledge and as far as we are aware of, we found 10 transactions which met the said criteria and they are exhaustive as far as we are aware of. We consider that the CB Comparables represent recent transactions which are reflective to the market conditions and sentiments at the time of negotiating of the Alteration of Conditions. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the CB Comparables.

Company name (stock code)	Date of announcement	Maturity (approximate years)	Interest rate per annum (%)	Premium/(discount) of the conversion price over/(to) the closing price per share on/prior to the date of agreement
Synergis Holdings Limited (2340)	24 October 2019	2	7	2.04
Pacific Basin Shipping Limited (2343)	31 October 2019	6	3	31.87
Semiconductor Manufacturing International Corporation (981)	19 November 2019	3	Nil	1.23
iDreamSky Technology Holdings Limited (1119)	26 November 2019	3	2.5	2.40
Shougang Concord International Enterprises Company Limited (697)	29 November 2019	2	Nil	(13.04)
China YuHua Education Corporation Limited (6169)	4 December 2019	5	0.9	38.18
Bosideng International Holdings Limited (3998)	5 December 2019	5	1	27.53
Dafy Holdings Limited (1826)	8 January 2020	1	6	12.96
Merdeka Financial Group Limited (8163)	10 January 2020	3	Nil	(8.33)
Best Food Holding Company Limited (1488)	13 January 2020	7	Nil	7.27
Maximum		**7**	**7**	**38.18**
Minimum		**1**	**Nil**	**(13.04)**
Average		**3.70**	**2.04**	**10.21**
Median		**3.00**	**0.95**	**4.84**
The Company	**15 January 2020**	**2*(Note)***	**3**	**33.33**

Note: The maturity date will be extended for two years and two months.

We noted from the above table that the conversion prices of the CB Comparables ranged from a discount of approximately 13.04% to a premium of approximately 38.18% to/over the respective closing prices of their shares on the date of/prior to agreement in relation to the respective subscription/ placing of convertible bonds/notes (the "**Discount/Premium Market Range**"). The Conversion Price, which represents a premium of approximately 33.33% to the closing price of the Shares on the Last Trading Day falls within the Discount/Premium Market Range.

Given the above and that the Conversion Price of HK$0.4 is above the daily closing prices of the Shares as quoted on the Stock Exchange during the entire Review Period, we consider the Conversion Price to be fair and reasonable.

The interest rate

As shown in the table above, the interest rates of the CB Comparables ranged from nil to 7% per annum. The Interest Rate falls within the aforesaid market range. Also given that the Interest Rate is lower than the Group Borrowing Rate, we consider that the Interest Rate is fair and reasonable.

Taking into account the principal terms of the Convertible Bond (after the Alteration of Conditions) as highlighted above, we are of the view that the terms of the Alteration of Conditions are on normal commercial terms and are fair and reasonable.

RECOMMENDATION

Having taken into consideration of the factors and reasons as stated above, we are of the opinion that (i) the terms of the Alteration of Conditions are on normal commercial terms and are fair and reasonable; and (ii) although the Alteration of Conditions is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Alteration of Conditions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Director	Capacity and nature of interests	Number of shares and underlying shares held *(Note 1)*	Approximately percentage of shareholding as at the Latest Practicable Date *(%)*
Shum Sai Chit	Number of options held	30,000,000	0.46
Chi Jing Chao	Number of options held	3,000,000	0.05
Meng Jian	Number of options held	5,000,000	0.08
Tam Wai Ho, Samson JP	Beneficial owner *(Note 2)*	63,464,000 (L)	2.26
	Family interests (interests of spouse) *(Note 3)*	4,600,000 (L)	
	Corporate interests (held by controlled corporation) *(Note 4)*	75,754,236 (L)	
	Number of options held	5,000,000	
Kwong Ping Man	Number of options held	5,000,000	0.08
Cheung Sound Poon	Number of options held	5,000,000	0.08
Kwan Ngai Kit	Number of options held	5,000,000	0.08

Notes:

1. The letter "L" denotes long positions in the Shares, underlying Shares and share capital of the Company.

2. Such shares included the 51,464,000 Shares which are jointly owned by Dr. Tam Wai Ho, Samson JP ("**Dr. Tam**") and Mr. Tam Wai Tong, Thomas ("**Mr. Tam**"), Dr. Tam directly owned 12,000,000 Shares.

3. Mrs. Tam Mui Ka Wai is the spouse of Dr. Tam and therefore Dr. Tam is deemed to be interested in the shares owned by Mrs. Tam pursuant to Part XV of the SFO.

4. 75,754,236 Shares are beneficially owned by Earnmill Holdings Limited ("**Earnmill**"), a company which is ultimately wholly owned by Dr. Tam and Mr. Tam, in equal shares.

5. The total number of issued Shares as at the Latest Practicable Date was 6,584,390,058 Shares.

Name of Director	**Name of associated corporation**	**Capacity and nature of interests**	**Number of shares and underlying shares held** *(Note 1)*	**Approximately percentage of shareholding as at the Latest Practicable Date** *(%)*
Shum Sai Chit	Century Sunshine	Beneficial owner *(Note 2)*	14,666,305 (L)	0.76
		Number of options held *(Note 5)*	20,000,000	
Chi Jing Chao	Century Sunshine	Beneficial owner *(Note 3)*	1,633,998 (L)	0.21
		Number of options held *(Note 5)*	8,000,000	
Kwan Ngai Kit	Century Sunshine	Family interests (interests of spouse) *(Note 4)*	4,000,000	0.09
Cheung Sound Poon	Century Sunshine	Number of options held *(Note 5)*	5,000,000	0.11

Notes:

1. The letter "L" denotes long positions in the Shares, underlying Shares and share capital of the relevant associated corporation.

2. 14,666,305 shares in Century Sunshine are directly owned by Mr. Shum Sai Chit.

3. 1,633,998 shares in Century Sunshine are directly owned by Mr. Chi Jing Chao

4. Such shares include the options in respect of 4,000,000 shares of Century Sunshine granted to Mr. Kwan's spouse.

5. On 25 July 2019, pursuant to the share option scheme adopted by Century Sunshine on 26 June 2019, options in respect of 20,000,000, 8,000,000 and 5,000,000 shares of Century Sunshine were granted to Mr. Shum Sai Chit, Mr. Chi Jing Chao and Mr. Cheung Sound Poon, respectively.

Save as disclosed above, to the best knowledge of the Directors as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as were known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director or the chief executive of the Company) had an interest or short position, if any, in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name	**Capacity and nature of interests**	**Number of shares and underlying shares held** *(Note 1)*	**Approximately percentage of shareholding as at the Latest Practicable Date** *(%)*
Ming Xin Developments Limited	Beneficial owner *(Note 2)* Beneficial owner *(Note 3)*	4,761,117,434(L) 200,000,000(S)	72.31 3.04
New Bright Group Limited	Corporate interests (held by controlled corporation) *(Note 4)*	4,761,117,434(L) 200,000,000(S)	72.31 3.04
Century Sunshine	Corporate interests (held by controlled corporation) *(Note 5)*	4,761,117,434(L) 200,000,000(S)	72.31 3.04
Chi Wen Fu	Corporate interests (held by controlled corporation) *(Note 6)*	4,761,117,434(L) 200,000,000(S)	72.31 3.04

Notes:

1. The letter "L" denotes long positions in the Shares, underlying Shares and share capital of the Company. The letter "S" denotes short positions in the Shares, underlying Shares and share capital of the Company.

2. 4,761,117,434 Shares are beneficially owned by Ming Xin Developments Limited.

3. On 13 December 2019, Century Sunshine and Ming Xin Developments Limited as grantors and Mega Prime Development Limited as optionee entered into the Call Option Agreement, pursuant to which the said grantors agreed to grant to the said optionee the right and option to acquire 200,000,000 Shares.

4. Ming Xin Developments Limited is a wholly-owned subsidiary of New Bright Group Limited. As such, New Bright Group Limited is deemed to be interested in all the shares in which Ming Xin Developments Limited is interested by virtue of the SFO.

5. New Bright Group Limited is a wholly-owned subsidiary of Century Sunshine. As such, Century Sunshine is deemed to be interested in all the shares in which Ming Xin Developments Limited is interested by virtue of the SFO.

6. Mr. Chi Wen Fu controls more than one-third or more of the voting power at general meetings of Century Sunshine (the ultimate holding company of Ming Xin Developments Limited). As such, Mr. Chi Wen Fu is deemed to be interested in all the shares in which Ming Xin Developments Limited is interested by virtue of the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 10% or more of the issued share capital of the Company as at the Latest Practicable Date.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

4. NO MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to acquired or disposed of by or leased to any members of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up. As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with the Company or any member of the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of any compensation (other than statutory compensation).

6. LITIGATION

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the expert, and its qualification, who has given opinion contained in this circular:

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice, opinion and/or reports and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interests, either direct or indirect, in any assets which have been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

(i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(ii) The principal place of business of the Company in Hong Kong is at Suite 1105, 11th Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(iii) The company secretary of the Company is Fan Kwok Man, Raymond, who has been appointed since 20 August 2015. Mr. Fan holds a Bachelor of Business Administration in Insurance, Financial and Actuarial Analysis from the Chinese University of Hong Kong and he is member of the Hong Kong Institute of Certified Public Accountants and has over 8 years of experience in auditing, accounting, financial management and corporate finance.

(iv) The Company's branch share registrar and transfer office in Hong Kong is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office in Hong Kong at Suite 1105, 11th Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

(a) the Supplemental Deed;

(b) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(c) the letter of advice from Gram Capital, the text of which is set out in the section headed "Letter from Gram Capital" of this circular;

(d) the written consent referred to in the paragraph headed "Expert's qualification and consent" in this appendix; and

(e) this circular.

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RARE EARTH MAGNESIUM TECHNOLOGY GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00601)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting of Rare Earth Magnesium Technology Group Holdings Limited (the "**Company**") will be held at Suite 1105, 11th Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 11 March 2020 at 2:30 p.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

"**THAT**:

(1) the Supplemental Deed (as defined in the circular of the Company dated 18 February 2020, the "**Circular**") and the Alteration of Conditions (as defined in the Circular) contemplated thereunder be and are hereby approved, confirmed and ratified;

(2) subject to the satisfaction of the conditions precedent stated in the Supplemental Deed, the issue and allotment of the Conversion Shares (as defined in the Circular) upon conversion of the Convertible Bond (as defined in the Circular) on and subject to the terms of the Convertible Bond up to and including the date which is seven days prior to the new Maturity Date (as defined in the Circular) be and are hereby approved and confirmed; and

(3) any one director or the company secretary of the Company be and are hereby authorised to do all such things and acts as he may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the Supplemental Deed and the Alteration of Conditions contemplated thereunder, including but not limited to the execution all such documents under seal where applicable, as he or she considers necessary or expedient in his or her opinion to implement and/or give effect to the allotment and issue of Conversion Shares upon conversion of the Convertible Bond."

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

Hong Kong, 18 February 2020

Notes:

(1) A member of the Company entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint another person as his proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company but must attend the special general meeting to represent the member.

(2) In order to be valid, the form of proxy must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong together with any power of attorney or other authority, under which it is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof.

(3) In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the special general meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney or other person duly authorised.

(5) Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.

(6) For determining the entitlement to attend and vote at the SGM or any adjournment thereof, the record date is fixed on Thursday, 5 March 2020. Shareholders whose names appear on the register of members of the Company at the close of business on the record date will be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 5 March 2020.

(7) Any voting at the special general meeting shall be taken by poll.

As at the date of this notice, 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*