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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**世纪阳光**

**世紀陽光集團控股有限公司**

**CENTURY SUNSHINE GROUP HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 509)**

**MAJOR TRANSACTION**

- (1) THE SALE AND PURCHASE OF SHARES IN  
GROUP SENSE (INTERNATIONAL) LIMITED;  
(2) THE SUBSCRIPTION OF NEW SHARES IN  
GROUP SENSE (INTERNATIONAL) LIMITED; AND  
(3) POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFER  
TO ACQUIRE ALL THE ISSUED SHARES OF  
GROUP SENSE (INTERNATIONAL) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
MING XIN DEVELOPMENTS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to Century Sunshine Group Holdings Limited**

 **金融有限公司**  
**OCTAL Capital Limited**

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A letter from the Board is set out on pages 6 to 21 of this circular.

A notice convening the EGM to be held at Unit 2605, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Monday, 23 February 2015 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Tricor Investor Services Limited at Level 22, 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 EGM or adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you wish.

3 February 2015

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## DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“BVI”	the British Virgin Islands
“close associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Company”	Century Sunshine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 509)
“Composite Document”	the document proposed to be jointly issued by or on behalf of the Offeror and Group Sense to all Group Sense Independent Shareholders in accordance with the Takeovers Code in respect of the Offer
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Tam”	Dr. Tam Wai Ho, Samson, JP, the chairman and executive director of Group Sense and the director of the Vendor
“EGM”	the extraordinary general meeting of the Company to be convened and held on Monday, 23 February 2015, including any adjournment thereof
“Enlarged Group”	the Group and the Group Sense Group
“Facility”	a standby loan facility of up to HK\$284,000,000 granted by Get Nice Securities to the Offeror upon and subject to the terms and conditions of the facility agreement dated 19 December 2014 entered into between the Offeror as borrower and Get Nice Securities as lender
“Get Nice Securities”	Get Nice Securities Limited, a licensed corporation to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Group Sense”	Group Sense (International) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 601)
“Group Sense Group”	Group Sense and its subsidiaries
“Group Sense Independent Shareholder(s)”	shareholder(s) of Group Sense other than (i) the Vendor, its close associates and parties acting in concert with any of them; (ii) the Offeror, its ultimate beneficial owner and any parties acting in concert with any of them; and (iii) any shareholders of Group Sense who are involved in or interested in the Sale and Purchase Agreement, the Subscription Agreement and the respective transactions contemplated thereunder, and the Offer
“GS Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Group Sense
“Guarantors”	guarantors of the Vendor in the Sale and Purchase Agreement, namely Dr. Tam and Mr. Tam
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Joint Announcement”	the joint announcement dated 6 January 2015 issued by the Company, Group Sense and the Offeror in relation to, among others, the acquisition of Sale Shares, the Subscription and the Offer
“Last Trading Day”	19 December 2014, being the last trading day for the GS Shares immediately prior to the suspension of trading in the GS Shares on the Stock Exchange before the release of the Joint Announcement
“Letter of Undertaking”	the letter of undertaking issued by each of the Vendor, the Guarantors and Mrs. Tam in favour of the Purchaser dated 19 December 2014 whereby the Vendor, the Guarantors and Mrs. Tam have undertaken not to accept the Offer in respect of and not to create encumbrance over the Non-acceptance Shares
“Latest Practicable Date”	29 January 2015, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange

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## DEFINITIONS

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“Mrs. Tam”	Mrs. Tam Mui Ka Wai, Vivian, the executive director of Group Sense and the wife of Dr. Tam
“Mr. Tam”	Mr. Tam Wai Tong, Thomas, managing director of Group Sense and the director of the Vendor
“New Bright”	New Bright Group Limited, a company incorporated in BVI with limited liability on 12 December 2002 which is beneficially and wholly-owned by the Company
“Non-acceptance Shares”	the 80,909,118 GS Shares in aggregate held by the Vendor, Dr. Tam, Mr. Tam and Mrs. Tam and their respective associates immediately after the Sale and Purchase Completion and the Subscription Completion
“Octal Capital”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, who has been appointed as the financial adviser to the Company and the Offeror
“Offer”	the possible unconditional mandatory cash general offer to be made by Octal Capital and Get Nice Securities on behalf of the Offeror to acquire all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code
“Offer Price”	the price at which the Offer will be made, being HK\$0.4592 per GS Share
“Offer Share(s)”	all the GS Share(s) in issue, other than those GS Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror” or “Purchaser”	Ming Xin Developments Limited, a company incorporated in BVI with limited liability on 31 July 2014 and is beneficially and wholly-owned by New Bright
“PRC”	The People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Rule 3.7 Announcement”	the announcement issued by Group Sense dated 5 September 2014 in relation to possible sale of all or part of Dr. Tam and Mr. Tam’s shareholding interest in Group Sense

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## DEFINITIONS

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“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 19 December 2014 entered into amongst the Vendor, the Purchaser and Dr. Tam and Mr. Tam as Guarantors in respect of the Sale Shares
“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Sale and Purchase Completion Date”	the date of the Sale and Purchase Completion, which is to be the fifth business day after the date on which the last of condition (a) set out in the paragraph headed “Conditions precedent to the Sale and Purchase Completion” and conditions (a) and (b) set out in paragraph headed “Conditions precedent to the Subscription Completion” are fulfilled or such other date as the Vendor and the Purchaser may agree
“Sale Shares”	an aggregate of 500,000,000 GS Shares, legally and beneficially owned by the Vendor
“SFC”	The Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Offeror pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between Group Sense and the Offeror on 19 December 2014 in relation to the subscription of the Subscription Shares
“Subscription Completion”	completion of the Subscription
“Subscription Completion Date”	the date on which the Subscription Completion is to take place
“Subscription Conditions”	condition(s) precedent to Subscription Completion, further details of which are set out in the section headed “The Subscription – Conditions precedent to the Subscription Completion” of this circular

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## DEFINITIONS

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“Subscription Price”	the subscription price of HK\$0.32 per Subscription Share
“Subscription Shares”	239,532,000 new GS Shares to be subscribed by the Offeror and issued by Group Sense at the Subscription Price
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto in the SFO
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for trading in Hong Kong
“Vendor”	Earnmill Holdings Limited, a company incorporated in BVI with limited liability on 10 November 1992 and is ultimately beneficially owned by Dr. Tam and Mr. Tam in equal shares
“%”	per cent

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## LETTER FROM THE BOARD

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世纪阳光

世紀陽光集團控股有限公司

CENTURY SUNSHINE GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 509)**

*Executive Directors:*

Mr. Chi Wen Fu (*Chairman*)  
Mr. Shum Sai Chit  
Ms. Chi Bi Fen  
Mr. Yang Yuchuan

*Registered office:*

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

*Non-executive Directors:*

Mr. Guo Mengyong

*Principal place of business in Hong Kong:*

Unit 2605, 26th Floor, Harbour Centre  
25 Harbour Road, Wanchai  
Hong Kong

*Independent Non-executive Directors:*

Mr. Kwong Ping Man  
Mr. Sheng Hong  
Mr. Lau Chi Kit

3 February 2015

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION

**(1) THE SALE AND PURCHASE OF SHARES IN  
GROUP SENSE (INTERNATIONAL) LIMITED;  
(2) THE SUBSCRIPTION OF NEW SHARES IN  
GROUP SENSE (INTERNATIONAL) LIMITED; AND  
(3) POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFER  
TO ACQUIRE ALL THE ISSUED SHARES OF  
GROUP SENSE (INTERNATIONAL) LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
MING XIN DEVELOPMENTS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

### INTRODUCTION

Reference is made to the Joint Announcement issued by the Company, Group Sense and the Offeror dated 6 January 2015 in relation to, among others, the acquisition of Sale Shares, the Subscription and the Offer.



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## LETTER FROM THE BOARD

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On 19 December 2014 (after trading hours), the Vendor, the Purchaser and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell an aggregate of 500,000,000 Sale Shares, free from all encumbrances and together with all rights attached to the Sale Shares as at the Sale and Purchase Completion, including all dividends and distributions declared, made or paid on or after the Sale and Purchase Completion Date, for a total cash consideration of HK\$229,600,000 (equivalent to HK\$0.4592 per Sale Share). The Sale Shares represent approximately 41.75% of the issued share capital of Group Sense as at the Latest Practicable Date.

On 19 December 2014 (after trading hours), Group Sense and the Offeror entered into the Subscription Agreement pursuant to which Group Sense has conditionally agreed to issue, and the Offeror has conditionally agreed to subscribe, in cash, for 239,532,000 new GS Shares. The Subscription Shares represent approximately 20.0% of the issued share capital of Group Sense as at the Latest Practicable Date and approximately 16.67% of the issued share capital of Group Sense as enlarged by the allotment and issue of the Subscription Shares.

The purpose of this circular is to give you, among other things: (i) further details of the Sale and Purchase Agreement and the Subscription Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of the Group Sense Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) a notice of the EGM.

### THE SALE AND PURCHASE AGREEMENT

Major terms of the Sale and Purchase Agreement are set out below.

<b>Date</b>	:	19 December 2014
<b>Parties</b>		
<b>Vendor</b>	:	Earnmill Holdings Limited, a company incorporated in BVI with limited liability
<b>Purchaser</b>	:	Ming Xin Developments Limited, a company incorporated in BVI with limited liability which is indirectly wholly-owned by the Company
<b>Guarantors of the Vendor</b>	:	Dr. Tam Wai Ho, Samson, JP and Mr. Tam Wai Tong, Thomas

To the best of the Director's knowledge, information and belief, having made all reasonable enquires, each of the Guarantors, the Vendor, its beneficial owners and ultimate beneficial owners are third parties independent of and not connected with the Company and connected persons of the Company.

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## LETTER FROM THE BOARD

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### **Subject of the Sale and Purchase Agreement**

The Vendor, the Purchaser and the Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell an aggregate of 500,000,000 Sale Shares, representing approximately 41.75% of the issued share capital of Group Sense as at the Latest Practicable Date, free from all encumbrances and together with all rights attached to the Sale Shares as at the Sale and Purchase Completion, including all dividends and distributions declared, made or paid on or after the Sale and Purchase Completion Date.

The Vendor and the Purchaser shall not be obliged to complete the sale and purchase of any Sale Shares unless the sale and purchase of all the Sale Shares are completed simultaneously.

### **Consideration for the Sale Shares**

The aggregate cash consideration for the Sale Shares is HK\$229,600,000, equivalent to HK\$0.4592 per Sale Share. The price of HK\$0.4592 per Sale Share represents (i) a discount of approximately 2.30% to the closing price of HK\$0.47 per GS Share as quoted on the Stock Exchange on the Latest Practicable Date; and (ii) a premium of approximately 170.12% over the unaudited consolidated net asset attributable to equity holders of Group Sense per GS Share of approximately HK\$0.17 as at 30 September 2014. The consideration for Sale Shares was determined after arm's length negotiations between the Purchaser and the Vendor which has taken into account (i) the average closing price of the GS Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$0.456 per GS Share; (ii) the asset portfolio and financial position of the Group Sense Group with net asset value of approximately HK\$198.03 million as at 30 September 2014; (iii) the Purchaser will obtain a controlling interest in Group Sense on the Sale and Purchase Completion; and (iv) the other factors as set out in the paragraph headed "Reasons and Benefits for the Subscription and the Acquisition of the Sale Shares" below. The consideration shall be payable by the Purchaser on the Sale and Purchase Completion Date.

### **Conditions precedent to Sale and Purchase Completion**

A summary of the conditions precedent to the Sale and Purchase Completion is as follows:

- (a) the obtaining of approval by the Shareholders in general meeting in respect of the Sale and Purchase Agreement and Subscription Agreement and the transactions contemplated therein in a manner as required by the Stock Exchange or under the Listing Rules, the articles of association of the Company and the applicable law;
- (b) the completion of the Subscription Agreement in accordance with its terms simultaneously with the Sale and Purchase Completion;
- (c) the trading of the GS Shares on the Stock Exchange not having been suspended for a period longer than seven (7) consecutive trading days, save for any temporary suspension required by relevant regulatory authorities in connection with the transactions contemplated under the Sale and Purchase Agreement and the Subscription Agreement;

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## LETTER FROM THE BOARD

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- (d) the listing of the GS Shares not having been cancelled or withdrawn and neither the Stock Exchange nor the SFC having indicated that the trading of the GS Shares on the Stock Exchange will be suspended, cancelled or withdrawn after the Sale and Purchase Completion or that it will object to the continued listing of the GS Shares on the Stock Exchange;
- (e) the warranties contained in the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect;
- (f) no events having occurred which caused, causes or may cause a material adverse effect; and
- (g) there being no applicable law or regulations which shall, or which shall reasonably be expected to, forbid or restrict completion of the transactions contemplated under the Sale and Purchase Agreement and the Subscription Agreement.

The Purchaser may in its absolute discretion at any time waive all or any of the conditions above (other than the condition set out in paragraph (a) above) in whole or in part, either unconditionally or subject to such conditions as the Purchaser may think fit. As at the Latest Practicable Date, the conditions remained to be fulfilled, however, the Purchaser was not aware of any matter indicating or causing any difficulty in fulfilment of any of the above conditions and did not intend to waive any of the conditions.

Each of the Vendor and the Guarantors has given to the Purchaser certain representations and warranties which are customary in the circumstances and mainly in respect of (among others) the share capital, corporate status, legal compliance, financial conditions, business, operations, assets and liabilities in relation to Group Sense and/or other companies within the Group Sense Group and agreed to indemnify the Purchaser against any loss or liability of the Purchaser or any group company as a result of any breach of such representations and warranties. The Vendor and the Guarantors have also given certain indemnity to the Purchaser in connection with (a) an existing litigation between IWOW Communications Pte Ltd (as plaintiff) and Group Sense PDA Limited (as defendant) as disclosed in the annual report of Group Sense for the year ended 31 March 2014, (b) any failure or defects of corporate or regulatory compliance of any applicable laws or regulations by Group Sense and (c) any loss caused to Group Sense by other companies within the Group Sense Group and companies in which Group Sense has an equity interest. For further details of the legal proceeding between IWOW Communications Pte Ltd and Group Sense PDA Limited, please refer to the subsection headed "Litigation" under the section headed "Appendix IV – General Information" in this circular.

Save in case of fraud or wilful concealment, the aggregate amount of liability of the Vendor and the Guarantors for all claims made in respect of such representations, warranties and indemnities shall not exceed the total amount of the consideration received by the Vendor for the sale of the Sale Shares. Further, any such claims will be subject to a limitation period of two years (for those unrelated to tax) or four years (for those relating to tax) after the Sale and Purchase Completion Date.

Subject to the Sale and Purchase Completion, the Guarantors jointly and severally undertake that for so long as any of the Guarantors remains to be a director or takes any senior management role of any of the subsidiaries of Group Sense after the Sale and Purchase Completion, unless otherwise approved by Group Sense in writing, they will procure that such subsidiaries, will not (a) borrow or otherwise raise money or

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## LETTER FROM THE BOARD

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incur any indebtedness (save for certain exceptions) or give any guarantee, indemnity or surety; or (b) create or permit to arise any encumbrance on or in respect of any of its undertaking, property or assets; or (c) will not sell or otherwise dispose of the real properties owned by the Group Sense Group or any part thereof.

### **Sale and Purchase Completion**

The Sale and Purchase Completion is to take place on the fifth business day after the date on which the conditions (save that condition (a) set out in the paragraph headed “Conditions precedent to the Sale and Purchase Completion” above and conditions (a) to (d) set out in paragraph headed “Conditions precedent to the Subscription Completion” below may not be waived) are fulfilled or waived or such other date and time as may be agreed by the Vendor and the Purchaser in writing. Further announcement will be made as soon as practicable in relation to the Sale and Purchase Completion.

As part of the Sale and Purchase Agreement, each of the Guarantors and the Vendor and Mrs. Tam has irrevocably and unconditionally undertaken to the Purchaser (i) before the closing of the Offer, not to transfer, sell, give or otherwise dispose of, or create or permit to exist any encumbrance over; and (ii) not to accept the Offer in respect of, the Non-acceptance Shares, representing approximately 5.63% of the issued share capital of Group Sense as enlarged by the allotment and issue of the Subscription Shares, owned by them respectively pursuant to the Letter of Undertaking. To the alignment of the interests of Dr. Tam and Mr. Tam (being beneficial owners of the Vendor) in the continued management of the Group Sense Group’s business after the Sale and Purchase Completion with the interests of the shareholders of Group Sense and thereby ensuring continuing of that business, both the Purchaser and the Vendor consider that it is necessary for the Vendor to retain a meaningful equity stake in Group Sense. Taking into account the foregoing, the Vendor and the Purchaser agreed to the sale and purchase of a round number of 500,000,000 GS Shares under the Sale and Purchase Agreement with the remaining holding of GS Shares by the Vendor and its concert parties being retained by them.

### **THE SUBSCRIPTION**

On 19 December 2014 (after trading hours), Group Sense and the Offeror entered into the Subscription Agreement pursuant to which Group Sense has conditionally agreed to issue, and the Offeror has conditionally agreed to subscribe, in cash, for 239,532,000 new GS Shares for an aggregate Subscription Price of HK\$76,650,240.

The Company confirms that, to the best of the Director’s knowledge, Group Sense and the Vendor (being Group Sense’s controlling shareholder) are third parties independent of and not connected with the Company and connected persons of the Company.

The Subscription Shares represent (i) approximately 20.0% of the issued share capital of Group Sense as at the Latest Practicable Date; and (ii) approximately 16.67% of the issued share capital of Group Sense as enlarged by the allotment and issue of the Subscription Shares.

### **Subscription Price**

The Subscription Shares will be subscribed for by the Offeror at the Subscription Price of HK\$0.32 per GS Share.

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## LETTER FROM THE BOARD

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The Subscription Price was negotiated on an arm's length basis which has taken into account the trading price of approximately HK\$0.315 per GS Shares prior to the Rule 3.7 Announcement. The Subscription Price of HK\$0.32 represents (i) a premium of 1.59% over the last closing price of approximately HK\$0.315 per GS Shares as quoted on the Stock Exchange on the last trading day prior to the release of Rule 3.7 Announcement; (ii) a discount of approximately 21.5% to the closing price of HK\$0.47 per GS Share as quoted on the Stock Exchange on the Latest Practicable Date; and (iii) a premium of approximately 88.24% over the unaudited consolidated net asset attributable to equity holders of Group Sense of approximately HK\$0.17 per GS Share as at 30 September 2014.

### Conditions precedent to the Subscription Completion

Set out below is a summary of the conditions precedent to the Subscription Completion:

- (a) the passing by the Group Sense Independent Shareholders at a general meeting of Group Sense of such resolutions as may be necessary approving the Subscription Agreement and the issue and allotment of the Subscription Shares thereunder;
- (b) the granting of the approval by the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares;
- (c) the obtaining of approval by the Shareholders in general meeting in respect of the Subscription Agreement and the Sale and Purchase Agreement and the transactions contemplated therein in a manner as required by the Stock Exchange or under the Listing Rules, the articles of association of the Company and the applicable law;
- (d) the completion of the Sale and Purchase Agreement in accordance with its terms simultaneously with the Subscription Completion;
- (e) the trading of the GS Shares on the Stock Exchange not having been suspended for a period longer than seven (7) consecutive trading days, save for any temporary suspension required by relevant regulatory authorities for approving the announcement and circulars in connection with the transactions contemplated under the Subscription Agreement and the Sale and Purchase Agreement;
- (f) the listing of the GS Shares not having been cancelled or withdrawn and neither the Stock Exchange nor the SFC having indicated that the trading of the GS Shares on the Stock Exchange will be suspended, cancelled or withdrawn after the Subscription Completion or that it will object to the continued listing of the GS Shares on the Stock Exchange whether or not for reasons related to or arising from the transactions contemplated under any of the Subscription Agreement and the Sale and Purchase Agreement;
- (g) the warranties contained in the Subscription Agreement remaining true and accurate and not misleading in any material respect;
- (h) no events having occurred which caused, causes or may cause a material adverse effect;

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## LETTER FROM THE BOARD

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- (i) there being no applicable law or regulations which shall, or which shall reasonably be expected to, forbid or restrict completion of the transactions contemplated under the Subscription Agreement and the Sale and Purchase Agreement; and
- (j) there being no ongoing, pending or threatened legal proceedings which seek to forbid or restrict the transactions contemplated under the Subscription Agreement and the Sale and Purchase Agreement.

The Offeror may in its absolute discretion at any time waive all or any of the Subscription Conditions (other than the conditions set out in paragraphs (a) to (d) above) in whole or in part, either unconditionally or subject to such conditions as the Offeror may think fit. As at the Latest Practicable Date, the conditions remained to be fulfilled, however, the Offeror was not aware of any matter indicating or causing any difficulty in fulfilment of any of the above conditions and did not intend to waive any of the Subscription Conditions.

### **Subscription Completion**

The Subscription Completion is conditional upon the Subscription Conditions having been fulfilled (or, where applicable, waived). The Subscription Completion will take place simultaneously with the Sale and Purchase Completion on the same date.

### **REASONS AND BENEFITS FOR THE SUBSCRIPTION AND THE ACQUISITION OF THE SALE SHARES**

Fertiliser business has been the principal business activity of the Group since its listing in February 2004. Core fertiliser products of the Group include organic fertiliser and compound fertiliser. The Group also has an ownership of a quality serpentine mine, which was acquired by the Company in 2010, has ensured stable supply of rich raw material for production of silicon magnesium fertiliser which was launched in March 2012 and further enriched the product variety of the Group.

Since July 2011, the Group diversified its business portfolio into the magnesium product business upon completion of construction of a production plant in Jilin Province, the PRC. Resulting from incentivised global move towards a more environmentally-friendly, energy saving and light-weighting demand, combining with the continuous development in product marketing and application, the magnesium industry is at the turning point towards a fast development period associated with golden opportunities. As indicated in the “New Materials Industry Development Plan for the Twelfth Five-year Period” issued by the PRC government, the demand for magnesium will grow by 26.7% in corresponding period, which is 19.3% higher than the average growth rate of 7.4% of the ten most commonly used non-ferrous metals. The boosting market provides extremely encouraging hints of huge potential of magnesium products. As the Directors are optimistic about the development and prospect of the magnesium industry and given that the rapid growth of the magnesium industry in the PRC, to be fully in line with the market expansion and seize the key growth in magnesium industry chain in the PRC, the Directors intend to go beyond the existing magnesium product business, to further develop its industry chain model of circular economy and expand vertically in the magnesium and magnesium alloys related businesses. The Directors consider that it can

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## LETTER FROM THE BOARD

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diversify the existing business of the Group and enhance the Group's operating efficiency and competitiveness in order to achieve better cost control and capture the growth potentials in the magnesium industry, resulting in greater returns to the Group.

The Group has the intention to acquire control in the Group Sense Group by purchasing and subscribing the GS Shares, being not less than 51% of the enlarged issued share capital of Group Sense upon Sale and Purchase Completion and Subscription Completion. The Group considers being able to acquire a majority interest is essential for the Group to manage, push forward and execute business plans for future business development of the Group Sense Group. Accordingly, the Group proposed to enter into the Sale and Purchase Agreement and the Subscription Agreement.

Financial contributions of fertilisers business towards the Group has changed after development of magnesium product business. For the year ended 31 December 2013 and the six months ended 30 June 2014, sales of fertilisers accounted for 62.68% and 60.28% of the Group's total turnover respectively. In view of the rapid growth in global demand for new environmentally-friendly and energy-saving materials, the Directors believe that continuous development of magnesium products business will inevitably further lessen the financial contribution of fertiliser business towards the Company. As such, via obtaining the controlling interest of the Group Sense Group through the acquisition of the Sale Shares and the Subscription, the Enlarged Group could use the funds raised from the Subscription (after deducting for the costs and expenses that and Group Sense are responsible for pursuant to the Subscription Agreement) to diversify its business and to leverage its experience, technology and business network and identify new business opportunities in the magnesium industry on a separate listing platform to focus on the magnesium product business and in particular future development of chain model of circular economy in magnesium and magnesium product related businesses. Under such business strategy, the Directors believe the Group could develop and differentiate the two business segments under the two listing platforms and in long-term the operations of the two business segments can be more focused and organised and allow the respective management teams in the fertiliser and magnesium product business of the Group to perform more efficiently in different listing platforms.

The Subscription forms part and parcel of the entire transaction and is a crucial part of achieving Sale and Purchase Completion, and only following the Sale and Purchase Completion and the Subscription Completion, the Offer will then be made.

The closing prices of the GS Shares were in a range of HK\$0.18 to HK\$0.32 per GS Share during the year prior to the last trading day before the release of the Rule 3.7 Announcement (i.e. from 5 September 2013 to 4 September 2014, both dates inclusive). It is noted that the closing prices of the GS Shares increased significantly after the release of the Rule 3.7 Announcement and reached a peak of HK\$0.55 per GS Share on 23 September 2014. Since the surge of closing prices of the GS Share price after the publication of the Rule 3.7 Announcement may be driven up by the market speculations in respect of the possibility of the Offer, and the Subscription forms part and parcel of the entire transaction discussed above, when negotiating the terms of the Subscription Agreement, the Company considered that the GS Share prices after the publication of the Rule 3.7 Announcement were not indicative. Therefore, the Subscription Price was negotiated on an arm's length basis which has taken into account the prevailing trading prices of the GS Shares prior to the release of the Rule 3.7 Announcement. The Subscription Price of HK\$0.32 represents premium over the closing price of the GS Shares on the last trading day of HK\$0.315 per GS Share prior to the release of the Rule 3.7 Announcement.

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## LETTER FROM THE BOARD

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Furthermore, although there is a substantial difference in the Subscription Price as compared to the price of each Sale Share, the Directors considers that, given the Purchaser is obtaining the controlling interest in Group Sense, a considerable amount of the consideration for the Sale Share is reflecting the “control premium”. Accordingly, the closing prices of the GS Shares after publication of the Rule 3.7 Announcement do not necessarily reflect the fundamental value of the Group Sense Group and independent third party investors are unlikely to subscribe new GS Shares at a value which has been somehow uplifted by the general offer. On this basis, the Subscription Price is reasonable to make reference to the then prevailing trading price of the GS Shares prior to the Rule 3.7 Announcement, which is more indicative of the fundamental valuation of the Group Sense.

Although the price of HK\$0.4592 per Sale Shares and the Subscription Price represent a premium of approximately 170.12% and 88.24% respectively over the unaudited consolidated net asset attributable to equity holders of Group Sense of approximately HK\$0.17 per GS Share as at 30 September 2014, however based on the above and taking into account that (i) the consideration for the Sale Shares was negotiated on an arm’s length basis and was based on average closing price of GS Shares for the five consecutive trading days up to and including the Last Trading Day which is close to the consideration of HK\$0.4592 per Sale Share; (ii) upon the Sale and Purchase Completion, the Purchaser will obtain controlling interest in Group Sense; (iii) the Group will become more focused and organised on their magnesium and magnesium product related business on a separate listing platform; and (iv) the asset portfolio of the Group Sense Group, the Directors considers the terms of the Sale and Purchase Agreement, the Subscription Agreement and the making of the Offer are, fair and reasonable and the entering into of the Sale and Purchase Agreement and the Subscription Agreement and making of the Offer are in the interest of the Shareholders as a whole.

### INFORMATION ON GROUP SENSE

Group Sense is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The principal activity of Group Sense is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication productions, and the provision of electronic manufacturing services.



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The following table is a summary of certain audited financial information of the Group Sense Group for the two financial years ended 31 March 2013 and 31 March 2014 and the unaudited financial information of the Group Sense Group for the six months ended 30 September 2014:

	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>	<b>Six months ended 30 September</b>
	<b>2013</b>	<b>2014</b>	<b>2014</b>
	<i>HK'000</i>	<i>HK'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	383,340	349,382	115,507
Loss before tax	(76,688)	(86,789)	(48,117)
Loss for the year attributable to the equity holders of Group Sense	(75,724)	(80,409)	(45,884)
Working capital	144,185	56,564	19,206

As disclosed in the annual report of Group Sense for the year ended 31 March 2014, the Group Sense Group has been in a net loss position for an extended period of time. Loss attributable to equity holders of Group Sense for each of the financial year ended 31 March 2013 and 31 March 2014 was approximately HK\$75.72 million and HK\$80.41 million respectively. In addition, the Group Sense Group recorded loss attributable to equity holders of Group Sense of approximately HK\$45.88 million for the six months ended 30 September 2014.

As at 30 September 2014, the net asset value of the Group Sense Group is approximately HK\$198.03 million. As at the Latest Practicable Date, the Group Sense Group is holding one property in Hong Kong and two properties in the PRC, which are for their own usage.

### INFORMATION OF THE VENDOR, THE OFFEROR AND THE COMPANY

#### Information on the Vendor

The Vendor is an investment holding company incorporated in BVI with limited liability on 10 November 1992 and is beneficially and indirectly owned by Dr. Tam and Mr. Tam in equal shares.

#### Information on the Offeror and the Company

The Offeror is a company incorporated in BVI with limited liability on 31 July 2014 and is beneficially and wholly-owned by New Bright, which is in turn wholly-owned by the Company. Mr. Shum Sai Chit is the sole director of the Offeror and Mr. Chi Wen Fu is the sole director of New Bright. The Offeror and New Bright are investment holding companies and did not carry on any business since its incorporation until the entering of the Sale and Purchase Agreement and the transactions in connection therewith. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in magnesium product business, fertiliser business and metallurgical flux business.

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## LETTER FROM THE BOARD

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### POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFER TO ACQUIRE GS SHARES

As at the Latest Practicable Date, each of the Offeror and parties acting in concert with it does not hold any GS Shares or control any voting rights over the GS Shares. Subject to and after the Sale and Purchase Completion and the Subscription Completion, the Offeror and parties acting in concert with it will be interested in a total of 739,532,000 GS Shares, representing approximately 51.46% of the issued share capital of Group Sense as enlarged by the allotment and issue of Subscription Shares. Upon Sale and Purchase Completion and Subscription Completion, the Offeror will be required to make an unconditional mandatory cash general offer to acquire all the issued GS Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

Subject to and upon the Sale and Purchase Completion and the Subscription Completion, Octal Capital and Get Nice Securities, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offer to acquire all the Offer Shares, on the terms to be set out in the Composite Document to be issued in accordance with the Takeovers Code on the following basis:

For every Offer Share held . . . . . HK\$0.4592 in cash

Immediately after the Sale and Purchase Completion and the Subscription Completion, Group Sense will have 1,437,195,029 GS Shares in issue and the Offeror and parties acting in concert with it will own 739,532,000 GS Shares. Excluding the Non-acceptance Shares under the Letter of Undertaking, 616,753,911 GS Shares will be subject to the Offer and the total consideration of the Offer, if accepted in full, would be approximately HK\$283,213,396 based on the Offer Price. For the details of the Letter of Undertaking, please refer to the sub-section "Letter of Undertaking" below.

The Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement which was arrived at after arm's length negotiations between the Purchaser and the Vendor.

Based on the Offer Price of HK\$0.4592 per Offer Share and 1,197,663,029 GS Shares in issue as at the Latest Practicable Date, the entire issued share capital of Group Sense is valued at approximately HK\$549,966,863.

The Offer will extend to all GS Shares in issue on the date on which the Offer is made, being the date of despatch of the Composite Document, other than those GS Shares held by the Offeror and persons acting in concert with it.

#### Comparison of value

The Offer Price of HK\$0.4592 represents:

- (i) a discount of approximately 7.23% to the closing price of HK\$0.495 per GS Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- (ii) a premium of approximately 0.70% over the average closing prices of the GS Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$0.456 per GS Share;
- (iii) a premium of approximately 2.73% over the average closing prices of the GS Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.447 per GS Share;
- (iv) a premium of approximately 0.92% over the average closing prices of the GS Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of HK\$0.455 per GS Share;
- (v) a premium of approximately 9.07% over the average closing prices of the GS Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of HK\$0.421 per GS Share;
- (vi) a discount of approximately 2.30% to the closing price of the GS Share as quoted on the Stock Exchange on the Latest Practicable Date of HK\$0.47 per GS Share; and
- (vii) a premium of approximately 170.12% over the unaudited consolidated net asset attributable to equity holders of Group Sense per GS Share of approximately HK\$0.17 as at 30 September 2014.

### **Highest and lowest GS Share price**

During the six-month period preceding the date of the Rule 3.7 Announcement and the period up to and including the Latest Practicable date:

- (i) the highest closing price of the GS Shares as quoted on the Stock Exchange was HK\$0.55 on 23 September 2014; and
- (ii) the lowest closing price of the GS Shares as quoted on the Stock Exchange was HK\$0.209 on 7 May 2014.

### **Letter of Undertaking**

On 19 December 2014, each of the Guarantors and the Vendor and Mrs. Tam has executed the Letter of Undertaking in favour of the Purchaser, pursuant to which each of the Guarantors, the Vendor and Mrs. Tam has irrevocably and unconditionally undertaken to the Purchaser (i) before the closing of the Offer, not to transfer, sell, give or otherwise dispose of, or create or permit to exist any encumbrance over; and (ii) not to accept the Offer in respect of, an aggregate of 80,909,118 GS Shares owned by them respectively as at the date of the Letter of Undertaking.

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### **Value of the Offer**

Based on the above, without taking into account the Non-acceptance Shares, 616,753,911 GS Shares are subject to the Offer, and the Offer is valued at approximately HK\$283,213,396 based on the Offer Price.

Save and except for the Letter of Undertaking, the Offeror has not received any indication or irrevocable commitment from any shareholder of Group Sense that he/she/it will accept or reject the Offer as at the Latest Practicable Date.

### **Financial resources available to the Offeror**

The Offeror intends to finance the consideration payable by the Offeror under the Offer and the consideration payable under the Sale and Purchase Agreement and Subscription Agreement with (i) the Facility; and (ii) the balance to be financed from its internal resources.

Octal Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for the full acceptance of the Offer and the consideration under the Sale and Purchase Agreement and Subscription Agreement.

### **Compulsory acquisition**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any GS Shares outstanding after the close of the Offer.

### **Future intentions of the Offeror in relation to the Group Sense Group**

Following the close of the Offer, the Offeror intends that the Group Sense Group will continue its principal business and will maintain the listing status of Group Sense on the Main Board of the Stock Exchange. However, the Offeror will conduct a review on the business activities and assets of the Group Sense Group for the purpose of formulating business plans and strategies for the future business development of the Group Sense Group. Subject to the result of the review, the Offeror may explore other business opportunities for Group Sense and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of Group Sense. In addition, the Offeror will, in long-term, explore into restructuring the Group's magnesium related business with Group Sense Group by leveraging on the experience, technology and business network of magnesium product business of the Group. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group Sense Group. For the Offeror's intention regarding the Group Sense Group as set out above, the Offeror has no intention to discontinue the employment of the employees (save for the change in the composition of the board of directors of Group Sense) or to dispose of or re-deploy the assets of the Group Sense Group other than those in its ordinary course of business.

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## LETTER FROM THE BOARD

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### **Proposed change of composition of board of directors of Group Sense**

The board of directors of Group Sense is currently made up of nine directors, comprising five executive directors, being Dr. Tam, Mr. Tam, Mrs. Tam, Mr. Kazuhiro Otani and Mr. Lee Koon Hung, one non-executive director, being Ms. Luk Chui Yung, Judith and three independent non-executive directors, being Mr. Wong Kon Man, Jason, Mr. Fung Henry and Dr. Li Chi Kwong.

It is expected that Dr. Tam will remain as a director of Group Sense after completion of the Offer. The Offeror intends to nominate new directors that will become the majority to the board of directors of Group Sense at the earliest time as allowed under the Takeovers Code and any such appointment will be made in compliance with the Takeovers Code and the Listing Rules.

### **Maintaining the listing status of Group Sense**

The Offeror intends to maintain the listing of the GS Shares on the Stock Exchange after the close of the Offer.

In the event that after the completion of the Offer, the public float of Group Sense falls below 25%, the new directors of Group Sense who will be nominated by the Offeror and to be appointed as directors of Group Sense and the then directors of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules including placing down of the GS Shares as soon as possible following the close of the Offer to ensure that sufficient public float exists for the GS Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to Group Sense, being 25%, of the GS Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the GS Shares; or (ii) there are insufficient GS Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the GS Shares.

### **FINANCIAL EFFECT OF THE SALE AND PURCHASE OF THE GS SHARES, THE SUBSCRIPTION AND THE OFFER**

Upon the Sale and Purchase Completion and the Subscription Completion, Group Sense will become a subsidiary of the Company. As such, the accounts of the Group Sense Group will be consolidated into the accounts of the Group.

### **Net assets**

As detailed in the unaudited pro forma statement of assets and liabilities of the Enlarged Group in Appendix III to this circular (the “**Pro Forma**”), assuming the Sale and Purchase Completion, the Subscription Completion and the close of the Offer as at 30 June 2014, the total asset of the Enlarged Group as at 30 June 2014 would have increased from approximately HK\$3,676.52 million to HK\$3,926.33 million on a pro forma basis, the unaudited pro forma consolidated total liabilities of the Enlarged Group would

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## LETTER FROM THE BOARD

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have increased from approximately HK\$1,041.45 million to HK\$1,455.44 million on a pro forma basis, and the net assets would have decreased from approximately HK\$2,635.07 million to HK\$2,470.89 million as a result of the acquisition of Sale Shares, the Subscription and the Offer.

### **Earnings**

For the six months ended 30 June 2014, the Group recorded a profit of approximately HK\$155.85 million. For the six months ended 30 September 2014, Group Sense recorded a loss of approximately HK\$48.12 million. After the Sale and Purchase Completion, the Subscription Completion and the close of the Offer, the financial result of the Group Sense Group will be consolidated with those of the Group and the earnings of the Enlarged Group will be affected as a result of the acquisition of Sale Shares, the Subscription and the Offer.

Based on the Pro Forma, the cash and cash equivalents would have decreased by the amount of approximately HK\$202.12 from approximately HK\$773.25 million to HK\$571.13 million.

Further details of the financial effects of the acquisition of the Sale Shares, the Subscription and the Offer, assuming the completion thereof took place on 30 June 2014, on the assets and liabilities of the Enlarged Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out in Appendix III to this circular.

### **LISTING RULES REQUIREMENTS**

As the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the acquisition of the Sale Shares, the Subscription and the making of the Offer are more than 25% but less than 100%, the entering into the Sale and Purchase Agreement, the Subscription and the making of the Offer by the Offeror constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

The EGM will be held at Unit 2605, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Monday, 23 February 2015 at 11:00 a.m. for the Shareholders to consider and, if thought fit, approve, among other matters, the sale and purchase of the Sale Shares and the Subscription and the transactions contemplated thereunder, and making of the Offer.

In compliance with the Listing Rules, the resolution will be voted on by way of poll at the EGM.

None of the Shareholders is required to abstain from voting in respect of the ordinary resolution to approve the Sale and Purchase Agreement, the Subscription and the transactions contemplated thereunder, and making of the Offer.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre,

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183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

### RECOMMENDATION

The Directors believe that the terms of the Sale and Purchase Agreement, the Subscription Agreement and the Offer are fair and reasonable and the acquisition of the Sale Shares, the Subscription and the making of the Offer are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of the EGM.

### ADDITIONAL INFORMATION

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

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

**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for each of the three financial years ended 31 December 2011, 2012 and 2013, and the six months ended 30 June 2014 is disclosed on (i) pages 46 to 152 of the annual report of the Group for the year ended 31 December 2011; (ii) pages 55 to 156 of the annual report of the Group for the year ended 31 December 2012; (iii) pages 59 to 164 of the annual report of the Group for the year ended 31 December 2013; and (iv) pages 18 to 42 of the interim report of the Group for the six months ended 30 June 2014 respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.centurysunshine.com.hk](http://www.centurysunshine.com.hk)).

**2. INDEBTEDNESS****i Borrowings and debts***Borrowings*

As at the close of business on 31 December 2014, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had an unsecured borrowing of approximately HK\$28 million and secured bank borrowings of approximately HK\$627 million.

*Pledge of assets*

As at the close of business on 31 December 2014, the Enlarged Group had pledged certain of its property, plant and equipment, land use rights, investment properties, mining right and deposit with bank of the Enlarged Group with a value of approximately HK\$168 million, HK\$140 million, HK\$135 million, HK\$492 million and HK\$26 million, respectively, to secure the bank borrowings.

*Personal guarantee*

As at the close of business on 31 December 2014, a director of the Enlarged Group provides personal guarantee to a bank for securing a borrowing of a subsidiary amounting to approximately HK\$56 million.

*Convertible bonds*

As at the close of business on 31 December 2014, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Enlarged Group has convertible notes issued to Gem Power International Limited and Greenhouse Century Limited in the amount of HK\$115 million and HK\$180 million respectively, each bear interest at 4.5% per annum.



*Contingent liabilities*

- (i) On 15 January 2013, Capital Idea Investments Limited (“Capital Idea”, a wholly owned subsidiary of the Company) acquired 2,180 shares of China Rare Earth Magnesium Technology Holdings Limited (“CREMTH”, formerly known as China Magnesium Limited) from Mr. Miao Xi Zhu (“Mr. Miao”) at a consideration of HK\$32,089,382. CREMTH is a non-wholly owned subsidiary of the Company and is currently mainly owned as to 64.99% by Fullocean Group Limited (“Fullocean” a non-wholly owned subsidiary of the Company), 23.28% by Capital Idea and 8.73% by Win Union Limited (“Win Union”). Win Union is also the minority shareholder of Fullocean.

Mr. Miao considered that he was misled to enter into the transaction at an undervalue. On 6 October 2014, Mr. Miao lodged a claim in relation to the transaction at the High Court of Hong Kong against Mr. Shum, Mr. Chi, Capital Idea and Win Union for the losses arising from selling shares at an undervalue. Mr. Shum, Mr. Chi and Capital Idea considered that the allegation of Mr. Miao went against the facts seriously. Prior to the completion of the transaction, Mr. Miao has been the second largest shareholder and director of CREMTH with a full knowledge of its overall operation and development plans. The consideration of the transaction was determined after over one month's negotiation between each party based on the assets, liabilities and performance of CREMTH, and thus there was no so-called induction or misleading. Saved as Mr. Shum and Mr. Chi, as of Latest Practicable Date, to the best knowledge of the Company, the writ of summons of the litigation has not yet been served on Capital Idea. Upon receiving this legal document, Capital Idea will seek legal advice in relation to the claim and the necessary actions to be taken in this respect and will vigorously defend against the claim.

The Company is of the view that this litigation will not have a material adverse impact on the business operation and financial position of the Group, the directors of the Company are of the opinion that no provision is required to be made.

- (ii) During the year ended 31 March 2008, IWOW Communications Pte Ltd (“IWOW”) (as plaintiff) issued a legal proceeding in Hong Kong against Group Sense PDA Limited (“GS PDA”) (as defendant), a non-wholly owned subsidiary of Group Sense, and a claim against GS PDA for a sum of US\$627,571 (approximately HK\$4,895,000). IWOW alleged that GS PDA was in breach of a service agreement dated 3 December 2004 and failed to make payments in accordance with the service agreement. In this connection, GS PDA also filed a claim against IWOW and alleged that IWOW was in breach of the service agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the service agreement. Accordingly, GS PDA made a counterclaim against IWOW for liquidated damages in the sum of US\$100,000 and other damages to be assessed together with interest and costs.

Based on the available evidence and subject to discovery and expert evidence, GS PDA's representing solicitor considered that there were valid defences to the claim and GS PDA had a good chance of success in the claim and the counterclaim. Up to the Latest Practicable Date, there was no further progress noted in the claim and counterclaim. Having considered the positive legal opinion and no further progress in the Claim and Counterclaim during the period, the directors of Group Sense are of the opinion that no provision is required to be made.

Except as disclosed above, the Enlarged Group had no other material contingent liabilities as at the close of business on 31 December 2014.

**ii Disclaimer**

Save as aforesaid and apart from intra-group liabilities, as at 31 December 2014, the Enlarged Group had no other outstanding mortgages, charges, debentures, loan capital or bank overdrafts, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptances, acceptance credits or any guarantees or any material contingent liabilities.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the present financial resources and the banking facilities presently available and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in magnesium product business, fertiliser business and metallurgical flux business. Group Sense is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The principal activity of Group Sense is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication productions, and the provision of electronic manufacturing services.

Resulting from incentivised global move towards a more environmentally-friendly, energy saving and light-weighting demand, combining with the continuous development in product marketing and application, magnesium industry is at the turning point towards a fast development period associated with golden opportunities. As indicated in the "New Materials Industry Development Plan for the Twelfth Five-year Period" issued by the PRC government, the demand of magnesium will grow by 26.7% in corresponding

period, which is 19.3 percentage points higher than the average growth rate of 7.4% of the ten most common used non-ferrous metals. The booming market provides extremely encouraging hints of huge potential of magnesium products. To be fully in line with the market expansion and seize the key growth in magnesium product industry, beyond the existing magnesium product business, the Group considers to develop its industry chain model of circular economy in magnesium and magnesium alloys related businesses to create synergy and maximise its competitive advantages, resulting in greater returns for Shareholders.

The Group considers that the acquisition of the Sale Shares and the Subscription represents a good opportunity for the Group as it has the intention to leverage on a separate listing platform to focus on the magnesium product business and in particular chain model of circular economy in magnesium and magnesium product related businesses. By doing so, the business of the Group will become more focused and organised.

**I. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP SENSE GROUP FOR THE THREE YEARS ENDED 31 MARCH 2012, 2013 AND 2014 AND THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

Financial information of the Group Sense Group for each of the three years ended 31 March 2012, 2013 and 2014, and the six months ended 30 September 2014 is disclosed on (i) pages 37 to 142 of the annual report of the Group Sense Group for the year ended 31 March 2012; (ii) pages 44 to 142 of the annual report of the Group Sense Group for the year ended 31 March 2013; (iii) pages 45 to 142 of the annual report of the Group Sense Group for the year ended 31 March 2014; and (iv) pages 2 to 15 of the interim report of the Group Sense Group for the six months ended 30 September 2014, which are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of Group Sense ([www.gsl.com.hk](http://www.gsl.com.hk)).

**II. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP SENSE GROUP**

The following management discussion and analysis has been extracted from the annual report of the Group Sense Group for the years ended 31 March 2012, 2013 and 2014 and the interim report of the Group Sense Group for the six months ended 30 September 2014. For the avoidance of doubt, all references to “the Company” and “the Group” in this Appendix II refer to “Group Sense” and the “Group Sense Group” respectively.

**For the year ended 31 March 2012*****Strategic Products******Business Review***

The Electronic Dictionary Division has experienced a decline in sales turnover and profit in the financial year of 2011-2012. The orders from major markets such as Hong Kong and Taiwan showed no significant recovery even after launch of series of new products. The rapid growth of smartphones with standard operating system platforms that contains e-dictionary applications affected the demand in traditional electronic dictionary products. Major efforts have been made for reviewing the business strategy and for improvement in operating efficiency with a view of minimizing the loss.

The result of the Original Design Manufacturing Division in the second half of the financial year of 2011-2012 recorded a decrease in sales turnover and a negative profit. As the Japanese economy was still in decline after the natural disaster in March 2011, the orders from our Japanese customers had become sluggish and deviated from their forecast. The Division had responded by focusing on high value-added, higher profitable vertical markets products business. Nevertheless, the decrease in order quantity inevitably affected the efficiency of the factory operation. Sudden drop in the eBook readers orders in the US market had also affected the inventories level, resulting in a loss.

*Outlook*

In view of continuous enhancement on efficiency and effectiveness of business operation flow and to cope with the Group's future business development plan, beginning from 1 April, 2012, a new SP SBU (Strategic Products Strategic Business Unit) was formed by combining the Electronic Dictionary Division and Original Design Manufacturing Division. "Learning Solution Department" is newly formed for developing value-added products and services in the education segment. SP SBU is strived to develop new Android-based products and services for different business sectors and business partners.

While the business situation and environment may remain tough in the financial year of 2012-2013, SP SBU will persistently pursue its strategy of penetrating the Japan market by continue enhancing the quality and the service. In addition, SP SBU will intensify its efforts in achieving the business recovery and restoring business growth by adopting different directions. In addition to the conventional ODM (original design manufacturing) business that we continue developing and manufacturing the products according to customers' product plan, SP SBU has started to develop new product plans to customers based on our profound knowledge on components trend and worldwide technology partnership. SP SBU expects that new products will be launched in Japan market with customers' brands and distribution channels.

At the same time, SP SBU will explore new business opportunities in view of utilizing manufacturing facilities and help strengthening the competitiveness of the Group.

***Personal Communication Products****Business Review*

The sales volume of PCP SBU (Personal Communication Products Strategic Business Unit) has increased noticeably in the financial year of 2011-2012 as compared to the financial year of 2010-2011, due to the increased delivery of POS (Point-of-Sale) Terminal products and M2M (Machine-to-Machine) communication products. The business of PCP SBU has turned around in the financial year of 2011-2012.

PCP SBU focused in developing wireless communication products business. The results of shifting from the consumer electronics market to vertical market are seen. PCP SBU mainly develops wireless communication products for vertical markets, including POS Terminal products and M2M communication products. POS Terminal products are a series of wireless communication terminals specially designed for hospitality, logistic, retail and other industries. Through non-intermittent communication, practitioners can complete the jobs efficiently by mastering and processing the information at any time and at any place. The corporate operation efficiency would then be enhanced.

M2M communication products enable the users to master the real-time and accurate location, movement, status and other important information through wireless communication technologies. Corporations are able to manage the assets efficiently, utilise the apparatus and control the logistics with a view of utilising the resources effectively.

*Outlook*

The further advancement of wireless communication network and technologies enable the widespread of wireless internet and lower the products costs to a reasonable level. Wireless communication network brings new applications and convenience to consumers, enables swift growth and widespread use of smartphones in the consumer markets, and this in turn leading to unlimited business opportunities. As for the vertical markets, wireless internet enables corporations to interconnect people and things, acquire real-time information and deploy resources effectively. This enhances the corporate operation efficiency. More value-added services could be provided to customers. we believe that the potential of wireless communication products for vertical markets is great.

In the coming year, PCP SBU would continue developing wireless communication products for vertical markets and strive to increase the product competitiveness by improving the products features, expansibility and reliability as well as enhancement of service quality. We believe that flexible order placing, sufficient technical support and full after-sales services are vital to the success in the vertical markets. In addition, with the well-established sales channel, goodwill and partnership, products could be launched to the end users effectively.

Looking forward to the coming years, we are facing challenges despite the potential in the market. Firstly, in the face of the uncertainty of global economy, corporations may be closed down or deducted the expenses, which in turn affect the products demand. Secondly, competitors impose another challenge. Severe consumer market competitions may have an effect on corporations to shift to vertical markets. PCP SBU will increase its competitiveness for success in the vertical markets.

*Financial Review*

Revenue of the financial year is HK\$478,708,620, which is 23% lower than HK\$622,854,894 of the previous year. During the year under review, electronic handheld products business and ODM business recorded revenue of HK\$231,758,030 and HK\$246,950,590 respectively.

Operating loss for the year is HK\$72,893,587 (2011: HK\$29,885,895). After charging finance costs of HK\$511,201 and other expenses of HK\$3,466,592 (2011: finance costs HK\$0 and other expenses HK\$1,600,000), loss before tax is HK\$76,871,380 (2011: HK\$31,485,895). After taking into account the taxation, loss for the year is HK\$76,917,712 (2011: HK\$31,777,948).

On the statement of financial position side, inventories have decreased by HK\$38,695,303 to HK\$77,367,612 and trade receivables decreased by HK\$30,784,351 to HK\$59,639,993.

Cash and cash equivalents at the end of the reporting period amounted to HK\$138,990,253 which was 15% lower than HK\$163,899,986 of the previous year.

***Liquidity and Financial Resources***

On 31 March, 2012, the bank balances and cash of the Group (including bank deposits) were HK\$138,990,253 in total, which was HK\$24,909,733 or 15% lower than those of twelve months ago. The Group's bank borrowing is HK\$20,000,000 (31 March, 2011: Nil). The Group's bank borrowing is denominated in Hong Kong dollars with floating interest rate and short term in nature.

As at 31 March, 2012, the gearing ratio of the Group, defined as total bank borrowings divided by shareholders' equities was 5%. The interest expenses is HK\$511,201 during the period.

***Contingent Liabilities***

As at 31 March, 2012, the contingent liabilities of the Group were HK\$12,650,200 (2011: HK\$4,895,000).

***Foreign Currencies and Treasury Policy***

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact to the Group. During the twelve months period, the Group does not engage in any interest rate or currencies speculations.

***Employees Relations***

As at 31 March, 2012, the Group has on its payroll 201 (2011: 223) employees in Hong Kong, 1,583 (2011: 2,105) employees in the People's Republic of China and 13 (2011: 12) employees in Japan, representing a decrease of about 10%, a decrease of about 25% and an increase of about 8% respectively as compared with prior year. In addition to salary remuneration, the Group provides various fringe benefits such as annual leave, medical insurance and provident fund.

At the beginning and in the interim of every financial year, the Group's management holds Business Planning Meetings with its senior staff to review together the Group's past performance, as well as to discuss with them the Group's future strategic plans, policies and developments. After publication of the Group's results announcement, staff communication sessions are held to keep employees abreast of the Group's developments and also to facilitate two-way dialogue between the management and all level of employees. The management actively communicates with employees by means of "GSL SMS" through intranet, staff newsletters and emails to ensure free flow of information across different staff levels and to promote information and experience sharing. All staff are encouraged to express their views and feelings and to propose suggestions on different aspects. Employee satisfaction surveys are conducted regularly to help the senior management gauge various concerns of the staff and formulate appropriate solutions accordingly. A good promotion system is in place to identify the potential staff and help employees prepare for their career prospects.

The Group has organized a number of in-house training programmes to continuously develop the capabilities of all levels of the staff. Moreover, employees are encouraged to take outside programmes to acquire additional knowledge and upgrade their skills. Staff may be nominated for attending selected training schemes with full sponsorship. Employees who are interested in other unselected courses may still apply for the full or partial subsidies through the Group's education subsidizing scheme.

**For the year ended 31 March 2013**

***Financial Review***

Revenue of the Group for the financial year ended 31 March 2013 was approximately HK\$383,340,000, which was approximately 20% lower than approximately HK\$478,708,000 of last year. During the year under review, personal communication products business and strategic products business recorded revenue of approximately HK\$86,914,000 and HK\$296,426,000 respectively.

Operating loss of the Group during the year was approximately HK\$72,717,000 (2012: approximately HK\$72,894,000). After deducting finance costs of approximately HK\$580,000 (2012: approximately HK\$511,000) and other expenses of approximately HK\$3,391,000 (2012: approximately HK\$3,467,000), loss before tax was approximately HK\$76,688,000 (2012: approximately HK\$76,872,000). After taking into account of taxation, loss for the year was approximately HK\$76,685,000 (2012: approximately HK\$76,918,000).

Regarding the statement of financial position, inventories decreased by approximately HK\$11,813,000 to approximately HK\$65,554,000 and trade receivables decreased by approximately HK\$2,641,000 to approximately HK\$56,999,000.

Cash and cash equivalents at the end of the reporting period amounted to approximately HK\$80,782,000 which was approximately 42% lower than approximately HK\$138,990,000 of last year.

***Liquidity and Financial Resources***

On 31 March 2013, the bank balances and cash of the Group (including bank deposits) were approximately HK\$80,782,000 in total, which was approximately HK\$58,208,000 or approximately 42% lower than those of twelve months ago. The Group's bank borrowing was HK\$20,000,000 (31 March 2012: HK\$20,000,000). The Group's bank borrowing was denominated in Hong Kong dollars with floating interest rate and short term in nature.

As at 31 March 2013, the gearing ratio of the Group, defined as total bank borrowings divided by Shareholders' equities, was approximately 6%. The interest expenses was approximately HK\$580,000 during the year.



*Contingent Liabilities*

As at 31 March 2013, the contingent liabilities of the Group were approximately HK\$4,895,000 (2012: approximately HK\$12,650,000).

*Foreign Currencies and Treasury Policy*

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact to the Group. During the last twelve months period, the Group did not engage in any interest rate or currencies speculations.

*Employees Relations*

As at 31 March 2013, the Group has on its payroll 139 employees (2012: 201 employees) in Hong Kong, 1,377 employees (2012: 1,583 employees) in China and 13 employees (2012: 13 employees) in Japan, representing a decrease of approximately 31%, a decrease of approximately 13% and remain unchanged respectively as compared with last year. In addition to salary remuneration, the Group also provides other fringe benefits such as annual leave, medical insurance and provident fund, etc. for its staff.

During last financial year, the Group's management held monthly breakfast meeting with its senior staff to review together the Group's performance as well as to formulate effective business strategies. Within SBUs, communication meetings were held periodically to share the SBU's performance and directions among related staff. Meanwhile, the Chairman of the Group also shared the Company's development highlights with the employees through email regularly. The management actively communicates with employees through intranet and emails to ensure free flow of information across different staff levels and to promote information and experience sharing. All staff are encouraged to express their views and feelings and to propose suggestions on different aspects. A good promotion system is in place to identify the potential staff and help employees preparing for their career prospects.

In addition to internal training programmes, employees are encouraged to take external programmes to acquire additional knowledge and upgrade their skills. Employees may be nominated for attending direct job-related training programmes or seminars with full sponsorship. For other external training courses, employees may still apply for full or partial subsidies through the Group's education sponsorship & allowance scheme.

**For the year ended 31 March 2014**

***Financial Review***

Revenue of the Group for the financial year ended 31 March 2014 was approximately HK\$349,382,000, which was approximately 9% lower than approximately HK\$383,340,000 of last year. During the year under review, personal communication products business and strategic products business recorded revenue of approximately HK\$78,158,000 and HK\$271,224,000 respectively.

Operating loss of the Group during the year was approximately HK\$78,673,000 (2013: approximately HK\$72,717,000). After deducting finance costs of approximately HK\$574,000 (2013: approximately HK\$580,000) and other operating expenses of approximately HK\$7,542,000 (2013: approximately HK\$3,391,000), loss before tax was approximately HK\$86,789,000 (2013: approximately HK\$76,688,000). After taking into account of taxation, loss for the year was approximately HK\$86,805,000 (2013: approximately HK\$76,685,000).

Regarding the statement of financial position, inventories decreased by HK\$18,515,000 to approximately HK\$47,039,000 and trade receivables decreased by HK\$13,412,000 to approximately HK\$43,587,000.

Cash and cash equivalents at the end of the reporting period amounted to approximately HK\$34,497,000 of which HK\$1,001,000 was pledged.

***Liquidity and Financial Resources***

On 31 March 2014, the bank balances and cash of the Group (including bank deposits) were approximately HK\$34,497,000 (2013: HK\$80,782,000) of which HK\$1,001,000 was pledged (2013: Nil). The Group's bank borrowings as at 31 March 2014 were HK\$23,814,000 (2013: HK\$20,000,000). The Group's bank borrowings were denominated in Hong Kong dollars with floating interest rate and short term in nature.

As at 31 March 2014, the gearing ratio of the Group, defined as total bank borrowings divided by shareholders' equities, was approximately 10%. The interest expenses was approximately HK\$574,000 during the year.

***Contingent Liabilities***

As at 31 March 2014, the contingent liabilities of the Group were approximately HK\$12,605,000 (2013: approximately HK\$4,895,000).

*Foreign Currencies and Treasury Policy*

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact to the Group. During the last twelve months period, the Group did not engage in any interest rate or currencies speculations.

*Employees Relations*

As at 31 March 2014, the Group has 110 employees (2013: 139 employees) in Hong Kong, 1,014 employees (2013: 1,377 employees) in China and 11 employees (2013: 13 employees) in Japan, representing a decrease of approximately 21%, 26% and 15% respectively as compared with last year. In addition to salary remuneration, the Group also provides other fringe benefits such as annual leave, medical insurance and provident fund, etc. for its staff.

During last financial year, the Group's management held monthly breakfast meeting with its senior staff to review together the Group's performance as well as to formulate effective business strategies. Within SBUs, communication meetings were held periodically to share the SBU's performance and directions among related staff. Meanwhile, the Chairman also shared the Company's development highlights with the employees through email regularly. The management actively communicates with employees through intranet and emails to ensure free flow of information across different staff levels and to promote information and experience sharing. All staff are encouraged to express their views and feelings and to propose suggestions on different aspects. A good promotion system is in place to identify the potential staff and help employees preparing for their career prospects.

In addition to internal training programmes, employees are encouraged to take external programmes to acquire additional knowledge and upgrade their skills. Employees may be nominated for attending direct job-related training programmes or seminars with full sponsorship. For other external training courses, employees may still apply for full or partial subsidies through the Group's education sponsorship & allowance scheme.

**For the six months ended 30 September 2014***Business Review*

During the six months ended 30 September 2014, the Group recorded a revenue of HK\$115,507,000, representing a decrease of 35% as compared with HK\$176,885,000 of the corresponding period last year. The operating loss before tax was HK\$48,117,000, representing an increase of 41% as compared with the loss of HK\$34,101,000 of the corresponding period last year.

Over the past half year, the Group posted a relatively sluggish performance on the overall as various major markets remained on a weak track, including Japan, on which the Group has a relative high dependence, being still far from recovery, and our major customers are lacking steam for growth. On the front of exploring new customers, deeper preliminary negotiation was being carried

out with multiple potential customers and a few feasibility evaluations were underway. It is anticipated that sustained orders will be on the way after several trial orders are completed. The Group will continue to leverage on the platforms of its partners to fully capitalise on its internal resources, with the objective of concentrating its resources on areas with the highest potential. The review and prospects of different business units of the Group are set out as below:

*Manufacturing Business Unit*

Dragged by unstable orders, the Manufacturing Business Unit (“MBU”) fell short of posting significant improvement in its results. MBU will belligerently consolidate its Electronic Manufacturing Services (“EMS”) in the PRC as orders from its customers have commenced mass production. The Group will continue to develop the touch panel business that displays significant potential to attract more orders and enhance its production efficiency, and strive to improve the performance of MBU.

*Strategic Products Strategic Business Unit*

With a relative dependence on the Japan market that has yet to board the train of recovery, the performance of the Strategic Products Strategic Business Unit (“SP SBU”) was below target amidst generally sluggish orders from the market. Following the restructuring of SP SBU, an additional business exploration team was created to align with efforts to secure new customers. The team is now undergoing negotiation with multiple potential customers in depth to actualise orders. SP SBU will continue to reinforce cooperation with its partners in the application of their R&D solutions to minimise our product development costs and shorten the product design phase, which will in turn consolidate our competitiveness.

The Group has also launched a number of new learning products in the Mainland China and Southeast Asia markets with warm market responses. We will consolidate our local sales teams and expand our sales channels to complement online marketing and online-and-offline marketing activities, in order to extend the sales reach of the new products and step up the sales results.

*Personal Communication Products Strategic Business Unit*

The results of Personal Communication Products Strategic Business Unit (“PCP SBU”) were generally in line with expectations. With a continuous focus on the development of the point-of-sale (“POS”) business, PCP SBU has collaborated with a telecommunication carrier to develop a wireless terminal using near-field communication (NFC) technology designed for mobile payment in the food and beverage and retail industries. Customers only need to complete simple registration, then they can settle their bills by touching their mobile phones to the terminal.

The Group believes that the popularisation of cloud computing and mobile payment will invigorate the demand for POS. PCP SBU will proactively explore new markets, improve the quality of its products and services and control its costs with the ultimate objectives of increasing its competitive advantages and further enhancing its results.

*Outlook*

The Group will continue to invest more resources in market exploration and strive to expand the EMS and original equipment manufacture customer bases and businesses. We tap into the PRC market, with the aim of securing one to two mid-size customers to ensure stable and continued orders and as a result, enhance its turnover. These will in turn allow the optimisation of production capacity, enhancement of operating efficiency and ultimately, achieving financial breakeven.

Apart from the sale of hardware, the Group will continue to introduce more product-related value additions and develop online learning platform to branch into new businesses and income models, to enhance its operating revenue and profits, and to recuperate its overall performance.

*Liquidity and financial Resources*

On 30 September 2014, the bank balances and cash of the Group (including bank deposits) were HK\$40,825,000 (31 March 2014: HK\$34,497,000) of which HK\$1,036,000 (31 March 2014: HK\$1,001,000) was pledged. The Group's bank borrowing as at 30 September 2014 was HK\$31,375,000 (31 March 2014: HK\$23,814,000). The Group's bank borrowing was short term in nature and with floating interest rate. The Group has an amount due to a shareholder of HK\$28,000,000 as at 30 September 2014, which was unsecured, non-interest-bearing and had no fixed terms of repayment.

As at 30 September 2014, the gearing ratio of the Group, defined as total bank borrowings plus amount due to a shareholder divided by shareholders' equities, was 30%. The interest expenses was HK\$431,000 during the period.

The Group recorded consolidated net loss for consecutive years, in order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group is taking the following measures:

- (a) the Group had interest bearing bank borrowings of HK\$31,375,000 as at 30 September 2014 for working capital purposes. Although the bank borrowings will expire within one year, the directors are of the opinion that the Group will be able to renew/refinance the bank borrowings upon its expiry;
- (b) the Group had non-current assets including leasehold land and buildings located in Mainland China and available-for-sale investments as at 30 September 2014 that are available for the Group to realise significant cash or for securities for further bank borrowings; and
- (c) management has been endeavouring to improve the Group's operating results and cash flows.

After taking into account the above measures, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### *Contingent Liabilities*

As at 30 September 2014, the contingent liabilities of the Group were HK\$4,895,000 (31 March 2014: HK\$12,605,000).

### *Foreign Currencies and Treasury Policy*

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Renminbi. The usual treasury policy of the Group is to manage significant currency exposure and minimize currency risk whenever it may have material impact to the Group. During the last six months, the Group did not engage in any interest rate or currencies speculations.

### *Employees*

As at 30 September 2014, the Group has on its payroll 90 employees (2013: 117) in Hong Kong, 874 employees (2013: 1,176) in China and 7 employees (2013: 12) in Japan, representing a decrease of approximately 23%, 26% and 42% respectively as compared with the corresponding period last year. In addition to salary remuneration, the Group also provides other fringe benefits such as annual leave, medical insurance and provident fund, etc. for its staff.

## **III. SUPPLEMENTAL INFORMATION ON THE MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP SENSE GROUP**

The following is the supplemental information on the management discussion and analysis of the results of the Group Sense Group, which was not included in the annual reports of the Group Sense Group for the years ended 31 March 2012, 31 March 2013 and 31 March 2014 and the interim report of the Group Sense Group for the six months ended 30 September 2014.

### **Capital structure and foreign exchange exposure**

No equity fund raising was conducted during the three years ended 31 March 2014 and for the six months ended 30 September 2014 and the issued ordinary share capital of Group Sense Group as at 31 March 2012, 31 March 2013, 31 March 2014 and 30 September 2014 was approximately HK\$119,766,000.

The current ratios, defined as current assets divided by current liabilities, as at 31 March 2012, 31 March 2013, 31 March 2014 and 30 September 2014 were 2.92 times, 2.50 times, 1.55 times and 1.15 times respectively.

No financial instrument or other hedging instrument was used by the Group Sense Group for hedging purpose for the three years ended 31 March 2014 and for the six months ended 30 September 2014.

As set out in the “Management Discussion and Analysis” of this Appendix, the Group Sense Group is exposed to foreign exchange risk arising from the transactional currency exposure in United States Dollar, Renminbi and Japanese Yen. Net exchange losses of approximately HK\$2,042,000, HK\$4,259,000, HK\$234,000 and HK\$2,224,000 were reported by the Group Sense Group for the three years ended 31 March 2014 and six months ended 30 September 2014 respectively. The Group Sense Group did not use any financial instrument to hedge against its exposure to currency risk. The management constantly monitors the economic situation and its foreign exchange risk position, and would consider appropriate hedging measures in the future as may be necessary and feasible.

#### **Significant investments held and material acquisition or disposal of subsidiaries and associated companies**

As at 31 March 2012, 31 March 2013, 31 March 2014 and 30 September 2014, the Group Sense Group had investments in joint ventures and available-for-sale investments in both Hong Kong and the PRC and the corresponding balances for the respective years/period under review were as follows:

	As at			
	31 March 2012 HK\$'000	31 March 2013 HK\$'000	31 March 2014 HK\$'000	30 September 2014 HK\$'000
Investments in joint ventures	12,344	8,203	8,834	8,240
Available-for-sale investments	38,218	36,425	31,199	20,055

The investments in joint ventures represented the Group Sense Group's 35% equity interests in Neoplatec Technology Company Limited and 33% equity interests in GS Solutions Limited, both of which are companies incorporated in Hong Kong with limited liability as well as 19.78% equity interest in 重慶新標醫療設備有限公司 (Chongqing New Standard Medical Equipment Co., Ltd\*) and 50% equity interest in 深圳創新易購有限公司 (Shenzhen Innovation Trading Co., Ltd.\*), both of which are incorporated in the PRC with limited liability. The investment in Shenzhen Innovation Trading Co., Ltd was made by the Group during the year ended 31 March 2014.

An impairment of approximately HK\$1,600,000 and HK\$2,506,000 respectively was recognised for each of the year ended 31 March 2012 and 31 March 2013 due to underperforming results of a joint venture company, which became dormant during the year ended 31 March 2013.

The available-for-sale investments represented the Group Sense Group's investments in unlisted equity securities. The Group Sense Group recognised a gain on disposal of available-for-sale investments amounted to approximately HK\$5,693,000 for the year ended 31 March 2013. For the

\* The English names are transliterations of the Chinese names and are included for identification purpose only.

year ended 31 March 2014, an impairment of approximately HK\$5,226,000 was recognised due to non-performance of such investments. For the six months ended 30 September 2014, the Group Sense reported a loss on disposal of available-for-sale investments of approximately HK\$6,000 and an impairment loss of approximately HK\$2,000,000.

Save as aforesaid, the Group Sense Group did not have any significant investment held and there was no material disposal and acquisition of material subsidiaries and associated companies during the three years ended 31 March 2014 and six months ended 30 September 2014.

**Charge on assets**

As at 31 March 2012 and 31 March 2013, there was no charge on assets of the Group Sense Group.

As at 31 March 2014, the Group Sense Group pledged its property with a carrying value of HK\$7,736,000 and certain of its bank deposits in the sum of HK\$1,001,000 to secure banking facilities granted to the Group.

As at 30 September 2014, there had been no material change in the Group Sense Group's charge on assets since 31 March 2014.

**Staff costs**

For each of the three years ended 31 March from 2012 to 2014 and for the six months ended 30 September 2014, the total staff cost (including directors' emoluments) of the Group Sense Group amounted to HK\$192,213,000, HK\$160,670,000, HK\$143,336,000 and HK\$60,994,000 respectively.

**Future plans for material investments or capital assets**

Save for the capital commitments of approximately HK\$11,426,000, HK\$14,327,000, HK\$1,800,000 and HK\$689,000 respectively in respect of the acquisition of property, plant and equipment as at 31 March 2012, 31 March 2013, 31 March 2014 and 30 September 2014, the Group Sense Group had no concrete and immediate future plans for material investments or capital assets for the respective years/period under review.



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## APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### A.      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AFTER THE COMPLETION OF ACQUISITION

#### **Introduction**

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2014 (the “Unaudited Pro Forma Financial Information”) of Century Sunshine Group Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) and Group Sense (International) Limited (the “Group Sense”) and its subsidiaries (together referred to as the “Group Sense Group”) (hereinafter collectively referred to as the “Enlarged Group”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of an aggregate of 500,000,000 ordinary shares of Group Sense (the “Sale Shares”) and the subscription of 239,532,000 new shares issued by Group Sense (the “Subscription”) (hereinafter collectively referred to as the “Acquisition”), as if it had taken place on 30 June 2014. Upon the Acquisition completed, the Group will be required to make an unconditional mandatory cash general offer for all the issued ordinary shares of Group Sense (other than those already owned or agreed to be acquired by the Group and parties acting in concert with it) pursuant to rule 26.1 of the Takeovers Code. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), on the basis which is consistent with the accounting policies and presentation format of the Group.

The Unaudited Pro Forma Financial Information are prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2014 as set out in the Group’s interim report published on 2 September 2014, the unaudited condensed consolidated statement of financial position of the Group Sense Group as at 30 September 2014 as set out in the Group Sense Group’s interim report published on 8 December 2014, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2014, nor purport to predict the Enlarged Group’s future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2014, the published interim report of the Group Sense Group for the six months ended 30 September 2014, and other financial information included elsewhere in the Circular.

**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND  
LIABILITIES OF THE ENLARGED GROUP**

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2014 <i>HK\$'000</i> <i>Note 1</i>	Unaudited consolidated statement of assets and liabilities of the Group as at 30 September 2014 <i>HK\$'000</i> <i>Note 2</i>	Unaudited pro forma adjustment <i>HK\$'000</i> <i>Note 3</i>	Unaudited pro forma adjustment <i>HK\$'000</i> <i>Note 4</i>	Unaudited pro forma adjustment <i>HK\$'000</i> <i>Note 5</i>	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2014 <i>HK\$'000</i>
<b>Non-current assets</b>						
Land use rights	142,718	-	-	-	-	142,718
Property, plant and equipment	956,685	132,741	-	-	-	1,089,426
Investment properties	135,995	-	-	-	-	135,995
Intangible assets	80	-	-	-	-	80
Mining rights	554,727	-	-	-	-	554,727
Payment for acquisition of patents	56,250	-	-	-	-	56,250
Deposit for acquisition of property plant and equipment	66,768	-	-	-	-	66,768
Goodwill	-	-	161,911	-	-	161,911
Prepaid land lease payments	-	16,422	-	-	-	16,422
Deferred development costs	-	1,310	-	-	-	1,310
Investments in joint ventures	-	8,240	-	-	-	8,240
Available-for-sale investments	-	20,055	-	-	-	20,055
Long term deposits	-	52	-	-	-	52
<b>Total non-current assets</b>	<b>1,913,223</b>	<b>178,820</b>				<b>2,253,954</b>
<b>Current assets</b>						
Available-for-sale investment	367,706	-	-	-	-	367,706
Inventories	164,556	51,851	-	-	-	216,407
Land use rights	3,401	-	-	-	-	3,401
Trade and other receivables, prepayments and deposits	408,035	51,437	-	-	-	459,472
Investments held for trading	6,320	-	-	-	-	6,320
Derivative financial assets	31	-	-	-	-	31
Deposits with banks	40,000	-	-	-	-	40,000
Cash and cash equivalents	773,245	39,789	(229,600)	-	(12,300)	571,134
Amounts due from joint ventures	-	635	-	-	-	635
Amounts due from associates	-	6,235	-	-	-	6,235
Pledged deposits	-	1,036	-	-	-	1,036
<b>Total current assets</b>	<b>1,763,294</b>	<b>150,983</b>				<b>1,672,377</b>
<b>TOTAL ASSETS</b>	<b>3,676,517</b>	<b>329,803</b>				<b>3,926,331</b>

**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2014 <i>HK\$'000</i> <i>Note 1</i>	Unaudited consolidated statement of assets and liabilities of the Group Sense Group as at 30 September 2014 <i>HK\$'000</i> <i>Note 2</i>	Unaudited pro forma adjustment <i>HK\$'000</i> <i>Note 3</i>	Unaudited pro forma adjustment <i>HK\$'000</i> <i>Note 4</i>	Unaudited pro forma adjustment <i>HK\$'000</i> <i>Note 5</i>	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2014 <i>HK\$'000</i>
<b>Current liabilities</b>						
Trade and other payables	(281,283)	(68,649)	-	-	-	(349,932)
Income tax payable	(35,570)	(129)	-	-	-	(35,699)
Borrowings	(258,750)	(31,375)	-	(282,213)	-	(572,338)
Convertible bonds	(110,763)	-	-	-	-	(110,763)
Amount due to a non-controlling shareholder	-	(2,002)	-	-	-	(2,002)
Amount due to a shareholder	-	(28,000)	-	-	-	(28,000)
Provision	-	(1,622)	-	-	-	(1,622)
	<u>(686,366)</u>	<u>(131,777)</u>				<u>(1,100,356)</u>
<b>Non-current liabilities</b>						
Convertible bonds	(168,012)	-	-	-	-	(168,012)
Deferred revenue	(55,725)	-	-	-	-	(55,725)
Borrowings	(4,875)	-	-	-	-	(4,875)
Deferred tax liabilities	(126,467)	-	-	-	-	(126,467)
	<u>(355,079)</u>	<u>-</u>				<u>(355,079)</u>
<b>TOTAL LIABILITIES</b>	<u><u>(1,041,445)</u></u>	<u><u>(131,777)</u></u>				<u><u>(1,455,435)</u></u>

*Notes*

- The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 as set out in the Group's interim report published on 2 September 2014.
- The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group Sense Group as at 30 September 2014 as set out in the Group Sense Group's interim report published on 8 December 2014.
- The identifiable assets and liabilities of the Group Sense Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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For the purpose of the Unaudited Pro Forma Financial Information, the allocation of the purchase price is determined based on the Directors' estimates of the fair values of the identifiable assets and liabilities of the Group Sense Group as at 30 September 2014, and it is assumed that the fair values of the identifiable assets and liabilities of the Group Sense Group approximate to their carrying amounts as at 30 June 2014. The consideration of the Acquisition is assumed to be the fair value as if the Acquisition had been completed on 30 June 2014.

Subject to the completion of the Acquisition, the Group will be interested in a total of 739,532,000 ordinary shares of the Group Sense Group, representing approximately 51.46% of the issued share capital of the Group Sense Group. The recognition of pro forma goodwill arising on the acquisition of the Group Sense Group as if the acquisition had been completed on 30 June 2014 is as follows:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Pro forma goodwill arising on the Acquisition:		
Cash consideration		
– acquisition of Sale Shares		229,600
– Subscription of new shares		<u>76,650</u>
		306,250
Less: Pro forma assumed fair value of the identifiable net assets of the Group Sense Group, net non-controlling interests of the Group Sense Group	(203,838)	
Receipts on completion of the Subscription	<u>(76,650)</u>	
	<u>(280,488)</u>	
Share of 51.46% equity interest of the Group Sense Group		<u>(144,339)</u>
Goodwill arising from the Acquisition		<u><u>161,911</u></u>

When preparing the Unaudited Pro Forma Financial Information, the Directors made preliminary assessment, with reference to Hong Kong Accounting Standard 36 "Impairment of Assets" issued by the HKICPA, as to whether or not there is any impairment on goodwill arising from the completion of the Acquisition. Based on such assessment, the Directors did not identify any impairment in respect of the goodwill arising from the completion of the Acquisition.

Consistent with the accounting policies adopted by the Group in preparing the consolidated financial statements, the amount of goodwill arising from the completion of the Acquisition that will be initially recognised in the Group's consolidated financial statements will be determined with reference to HKFRS 3 based on the fair values of the acquired assets and liabilities at the date of completion. The Directors will follow the Group's accounting policies in respect of assets impairment assessment, including the assessment of the impairment of goodwill arising from the completion of the Acquisition when preparing the Group's consolidated financial statements covering the period in which the Acquisition is completed.

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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4. Upon the completion of the Acquisition, the Group will be required to make an unconditional mandatory cash general offer to acquire all the issued shares of the Group Sense Group (other than those already owned or agreed to be acquired by the Group and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code (the "Offer"). Get Nice Securities Limited and the Group had entered into a loan agreement on 19 December 2014 for financing the general offer. The adjustments represent the borrowings of HK\$283,213,396 arising from the Offer.

Assuming the Offer is accepted in full, the maximum amount payable by the Group under the Offer is HK\$283,213,396 (the number of ordinary shares of Group Sense subject to the Offer being 616,753,911, without taking into account the Non-acceptance Shares). The price of the Offer is assumed to be the same as the purchase price per Sale Share under the Sale and Purchase Agreement.

5. The adjustment represents the cash payment of approximately HK\$12,300,000 to reflect the estimated legal and professional fee incurred for the Acquisition.

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## APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### B.      LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

*The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.*



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

3 February 2015

The Board of Directors  
Century Sunshine Group Holdings Limited  
Unit 2605, 26th Floor,  
Harbour Centre  
25 Harbour Road, Wanchai  
Hong Kong

#### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

##### To the Directors of Century Sunshine Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Century Sunshine Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), Group Sense (International) Limited (the “**Group Sense**”) and its subsidiaries (hereinafter collectively referred to as the “**Group Sense Group**”) (together with the Group hereinafter referred to as the “**Enlarged Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statements of financial position as at 30 June 2014 (the “**Unaudited Pro Forma Financial Information**”) and related notes as set out on pages III-1 to III-5 of the circular issued by the Company on 3 February 2015 (the “**Circular**”), in connection with the proposed acquisition of the Group Sense Group (the “**Transactions**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in page III-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on the Group’s unaudited financial position as at 30 June 2014 as if the Transactions had taken place at 30 June 2014. As part of this process, information

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## APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2014, on which no audit or review report has been published.

### **Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

### **Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

**Wong Sze Wai, Basilia**

Practicing Certificate Member: P05806

Hong Kong



## 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 Company. 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, there are no other matters the omission of which would make any statement herein or in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Interests of Directors

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives had interests and short positions in the Shares, the underlying Shares and/or the debentures (as the case may be) of the Company or any its associated corporations (within the meaning of the SFO) which 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 any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules:

*Long positions in the shares and underlying shares of the Company and its associated corporations*

Name of Director	Number of Shares held				Number of Shares which may be issued under the options held	Percentage of issued share capital of the Company as at the Latest Practicable Date
	Personal interests	Spouse interests	Corporate interests	Total		
Chi Wen Fu ("Mr. Chi")	173,562,428	-	960,472,728 <i>(note 1)</i>	1,134,035,156	20,000,000	39.03% 0.69%
Shum Sai Chit ("Mr. Shum")	10,311,940	-	-	10,311,940	9,000,000	0.35% 0.31%
Chi Bi Fen	7,842,857	-	-	7,842,857	15,000,000	0.27% 0.52%
Yang Yuchuan ("Mr. Yang")	-	23,447,261	236,157,141 <i>(note 2)</i>	259,604,402	15,000,000	8.93% 0.52%
Guo Mengyong	2,000,000	-	-	2,000,000	3,000,000	0.07% 0.10%
Sheng Hong	1,000,000	-	-	1,000,000	-	0.03%
Lau Chi Kit	-	-	-	-	4,000,000	0.14%
					5,000,000	0.17%

*Notes:*

1. These Shares are held by Alpha Sino International Limited (“Alpha Sino”) and are deemed corporate interests by virtue of Mr. Chi’s holding of 83.74% of the issued share capital of Alpha Sino which entitled him to exercise or control the exercise of one-third or more of the voting power at general meeting of Alpha Sino.
2. These Shares are held by Best Equity Holdings Limited (“Best Equity”) and are deemed corporate interests by virtue of Mr. Yang’s holding of 47.17% of the issued share capital of Best Equity which entitled him to exercise or control the exercise of one-third or more of the voting power at general meeting of Best Equity.

**(ii) Interests of Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or a short position 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 were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register to be kept under section 336 of the SFO:

<b>Name of Shareholder</b>	<b>Nature</b>	<b>Number of Shares</b>	<b>Number of conversion share of convertible bonds</b>	<b>Percentage of issued share capital of the Company as at the Latest Practicable Date</b>
Alpha Sino	Long position	960,472,728 <i>(note 1)</i>		33.06%
International Finance Corporation	Long position	499,945,000 <i>(note 1)</i>		17.21%
Zou Li	Long position	236,157,141 <i>(note 2)</i>		8.13%
Best Equity	Long position	236,157,141		8.13%
Greenhouse Century Limited	Long position		150,000,000 <i>(note 3)</i>	5.16%

*Notes:*

1. Pursuant to a share mortgage dated 10 July 2014, Alpha Sino, being the substantial shareholder of the Company, had mortgaged 344,868,000 Shares (representing approximately 12% of the then issued share capital of the Company as at 10 July 2014) to International Finance Corporation (“IFC”) to secure repayment of the IFC Loan under a loan agreement dated 30 May 2014 entered into between IFC and Baishan City Tianan Magnesium Resources Co. Ltd.

2. These Shares are deemed corporate interests by virtue of her holding of 52.83% of the issued share capital of Best Equity which entitled her to exercise or control the exercise of one-third or more of the voting power at general meeting of Best Equity.
3. Greenhouse Company Limited is a wholly owned subsidiary of China Everbrights Assets Management Holdings Limited ("CEAMHL"). CEAMHL is a wholly owned subsidiary of China Everbright Limited ("CEL", stock code: 165.HK).

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company or a member of the Group) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 member of the Group.

### 3. OTHER INTERESTS OF THE DIRECTORS

Save as disclosed in this circular and as at the Latest Practicable Date,

#### (a) Interests in service contracts

none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or which may be terminated by the Company within one year without payment of compensation (other than statutory compensation));

#### (b) Interests in assets

none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Enlarged Group or are proposed to be acquired by or disposed of or leased to any member of the Enlarged Group;

#### (c) Interests in contracts or arrangements

none of the Directors was materially interested in any contract or arrangement entered into with any member of the Enlarged Group, which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group taken as a whole; and

#### (d) Directorship or employment with substantial Shareholders

Mr. Chi is also a director of Alpha Sino and Mr. Yang is also a director of Best Equity. Each of Alpha Sino and Best Equity had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed above, none of the Directors and their respective close associates have any interest in any businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Enlarged Group other than those businesses to which the Directors and their close associates were appointed to represent the interests of the Company and/or the Enlarged Group.

#### 5. LITIGATION

On 15 January 2013, Capital Idea Investments Limited ("Capital Idea", a wholly owned subsidiary of the Company) acquired 2,180 shares of China Rare Earth Magnesium Technology Holdings Limited ("CREMTH", formerly known as China Magnesium Limited) from Mr. Miao Xi Zhu ("Mr. Miao") at a consideration of HK\$32,089,382. CREMTH is a non-wholly owned subsidiary of the Company and is currently mainly owned as to 64.99% by Fullocean Group Limited ("Fullocean" a non-wholly owned subsidiary of the Company), 23.28% by Capital Idea and 8.73% by Win Union Limited ("Win Union"). Win Union is also the minority shareholder of Fullocean.

Mr. Miao considered that he was misled to enter into the transaction at an undervalue. On 6 October 2014, Mr. Miao lodged a claim in relation to the transaction at the High Court of Hong Kong against Mr. Shum, Mr. Chi, Capital Idea and Win Union for the losses arising from selling shares at an undervalue. Mr. Shum, Mr. Chi and Capital Idea considered that the allegation of Mr. Miao went against the facts seriously. Prior to the completion of the transaction, Mr. Miao has been the second largest shareholder and director of CREMTH with a full knowledge of its overall operation and development plans. The consideration of the transaction was determined after over one month's negotiation between each party based on the assets, liabilities and performance of CREMTH, and thus there was no so-called induction or misleading. Saved as Mr. Shum and Mr. Chi, as of Latest Practicable Date, to the best knowledge of the Company, the writ of summons of the litigation has not yet been served on Capital Idea. Upon receiving this legal document, Capital Idea will seek legal advice in relation to the claim and the necessary actions to be taken in this respect and will vigorously defend against the claim.

The Company is of the view that this litigation will not have a material adverse impact on the business operation and financial position of the Group.

During the year ended 31 March 2008, IWOW Communications Pte Ltd ("IWOW")(as plaintiff) issued a legal proceeding in Hong Kong against Group Sense PDA Limited ("GS PDA")(as defendant), a non-wholly owned subsidiary of Group Sense, and a claim against GS PDA for a sum of US\$627,571 (approximately HK\$4,895,000). IWOW alleged that GS PDA was in breach of a service agreement dated 3 December 2004 and failed to make payments in accordance with the service agreement. In this connection, GS PDA also filed a claim against IWOW and alleged that IWOW was in breach of the service agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the service agreement. Accordingly, GS PDA made a counterclaim against IWOW for liquidated damages in the sum of US\$100,000 and other damages to be assessed together with interest and costs.

Based on the available evidence and subject to discovery and expert evidence, GS PDA's representing solicitor considered that there were valid defences to the claim and GS PDA had a good chance of success in the claim and the counterclaim. Up to the Latest Practicable Date, there was no further progress noted in the claim and counterclaim.

Except as disclosed above, no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

## 6. EXPERT AND CONSENT

- (a) The following sets out the qualifications of the experts who have given their opinions or advice as contained in this circular:

<b>Name</b>	<b>Qualifications</b>
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

- (b) As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited did not have any shareholding, direct or indirect, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.
- (c) As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited did not have any interest, direct or indirect, in any asset which have been since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of or leased to any member of the Enlarged Group or are proposed to be acquired by or disposed of or leased to any member of the Enlarged Group.
- (d) HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statement or advice and references to its name in the form and context in which they are included.

## 7. MATERIAL CONTRACTS

The following contracts were entered into by members of the Enlarged Group (not being a contract entered into in the ordinary course of business) during the period of two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the sale and purchase agreement dated 15 January 2013 entered into between Capital Idea, a wholly owned subsidiary of the Company, (as the purchaser) and Mr. Miao, a director and substantial shareholder of CREMTH at that time, (as the vendor) in relation to the sale and purchase of 2,180 shares in CREMTH for a total consideration of HK\$32,089,382;

- (b) the share subscription agreement dated 28 January 2014 entered into between the Company and International Finance Corporation (“IFC”), an independent third party, pursuant to which, IFC has agreed to subscribe for an aggregate of 155,077,000 fully paid Shares at HK\$0.75 each;
- (c) the loan agreement dated 30 May 2014 entered into between Baishan City Tianan Magnesium Resources Co., Ltd, indirect subsidiary of the Company, (as the borrower) and IFC (as the lender) in respect of a loan granted by IFC for the principal amount of US\$25 million for 7 years;
- (d) the subscription agreement dated 17 June 2014 entered into between the Company and Gem Power International Limited (“Gem Power”), an independent third party, pursuant to which, Gem Power has agreed to subscribe for convertible bonds of an aggregate principal amount of HK\$115,000,000 issued by the Company;
- (e) the subscription agreement dated 20 June 2014 entered into between the Company and Greenhouse Century Limited (“Greenhouse”), an independent third party, pursuant to which, Greenhouse has agreed to subscribe for convertible bonds of an aggregate principal amount of HK\$180,000,000 issued by the Company;
- (f) the Sale and Purchase Agreement;
- (g) the Subscription Agreement; and
- (h) the loan agreement dated 19 December 2014 entered into between Get Nice Securities, an independent third party, (as the lender) and the Offeror (as the borrower) in relation to the Facility.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during 9:00 a.m. to 5:00 p.m. on any week day, except Saturday, Sundays and public holidays at the principal place of business in Hong Kong of the Company at Unit 2605, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and Articles of Association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2013 and the interim report of the Company for the six months ended 30 June 2014;
- (c) the annual reports of Group Sense for the two financial years ended 31 March 2014 and the interim report of Group Sense for the six months ended 30 September 2014;
- (d) the letter from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

- (e) the written consent of HLB Hodgson Impey Cheng Limited referred to in the paragraph headed “Expert and Consent” in this Appendix IV;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix IV; and
- (g) this circular.

**9. MISCELLANEOUS**

- (a) The Company secretary of the Company is Mr. Luk Sai Wai Simon, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, and an associate member of Institute of Chartered Accountants in England and Wales. Mr. Luk received a Master degree in Business Administration from the University of Strathclyde, United Kingdom.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the Company’s principal place of business in Hong Kong is located at Unit 2605, 26th Floor, Harbour Centre 25 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Tricor Investment Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

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## NOTICE OF EGM

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世纪阳光

世紀陽光集團控股有限公司

CENTURY SUNSHINE GROUP HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 509)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of Century Sunshine Group Holdings Limited (the “**Company**”) will be held at Unit 2605, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Monday, 23 February 2015 at 11:00 a.m. to consider and, if thought fit, passing, with or without modifications, the following resolutions, unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 3 February 2015:–

### **AS ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the terms and conditions of the Sale and Purchase Agreement as defined and described in the circular of the Company dated 3 February 2015 (the “**Circular**”), a copy of the Sale and Purchase Agreement marked “A” together with a copy of the Circular marked “B” being tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder and in connection therewith, including the acquisition of Sale Shares (as defined in the Circular), be and hereby approved, ratified and confirmed; and
- (b) the directors of the Company (the “**Director**”) be and are hereby authorised to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Sale and Purchase Agreement and completion thereof as he may consider necessary, desirable or expedient to give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder, including, without limitation, exercising or enforcing any right thereunder and to agree to any amendments to any of the terms of the Sale and Purchase Agreement.”

2. “**THAT:**

- (a) the terms and conditions of the Subscription Agreement as defined and described in the Circular, a copy of the Subscription Agreement marked “C” being tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder and in connection therewith, including the subscription of the Subscription Shares (as defined in the Circular), be and hereby approved, ratified and confirmed; and



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## NOTICE OF EGM

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- (b) the Directors be and are hereby authorised to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Subscription Agreement and completion thereof as he may consider necessary, desirable or expedient to give effect to the Subscription Agreement and the transactions contemplated thereunder, including, without limitation, exercising or enforcing any right thereunder and to agree to any amendments to any of the terms of the Subscription Agreement.”
3. **“THAT:**
- (a) Subject to and upon the Sale and Purchase Completion (as defined in the Circular) and the Subscription Completion (as defined in the Circular) making of the Offer to acquire all the Offer Shares excluding the Non-acceptance Shares (as defined in the Circular) under the Letter of Undertaking (as defined in the Circular), being 616,753,911 GS Shares, at the total consideration of the Offer of approximately HK\$283,213,396 based on the Offer Price (as defined in the Circular) by Octal Capital and Get Nice Securities, on behalf of the Offeror in compliance with the Takeovers Code be and is hereby approved; and
- (b) the Directors be and are hereby authorised to execute all such other documents and agreements and to do all such acts or things for and on behalf of the Company as they may consider appropriate or desirable relating to or in connection with the matters contemplated in and for completion of the Offer.”

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

Hong Kong, 3 February 2015

*Notes:*

- (1) Any member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint one proxy or more proxies (for member of the Company who is the holder of two or more shares) to attend and vote in his or her stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy completed in accordance with the instructions set out therein, together with the power of attorney or other authority (if any) under which it is signed (or a certified copy of that power or authority) must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.
- (3) In case of joint holders of any share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM in person or by proxy, then one of the said persons to present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (4) A form of proxy for use at the EGM is enclosed herewith.