



IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 153 OF 2020 (RS)

IN THE MATTER OF THE COMPANIES LAW (2020 REVISION)

AND IN THE MATTER OF CENTURY SUNSHINE GROUP HOLDINGS LIMITED

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WINDING UP PETITION

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**TO:** The Grand Court of The Cayman Islands

The humble Petition of Century Sunshine Group Holdings Limited (the **Company**), an exempted company incorporated under the laws of the Cayman Islands and having its registered office located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands **SHOWS THAT:**

1. The Company seeks a winding up order pursuant to section 92(d) of the Companies Law (2020 Revision) (the **Companies Law**) on the ground that the Company is unable to pay its debts and is therefore insolvent.
2. The Company's board of directors (**Board**) is authorised to present this Petition on the Company's behalf pursuant to Article 165 of the Company's Articles of Association adopted pursuant to written resolutions dated 31 January 2004 (the **MOA**) which provides as follows:

*"The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up."*

3. The Board resolved to present this Petition by a unanimous written resolution dated 2 July 2020.

#### 4. THE COMPANY

- 3.1 The Company was incorporated in the Cayman Islands on 21 January 2003 as an exempted company in accordance with the Companies Law with company registration number 122654.
- 3.2 The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- 3.3 The objects for which the Company was established are unrestricted and it is authorised to engage in any lawful activity in accordance with the Companies Law.
- 3.4 The Company was incorporated under the name Century Sunshine Ecological Technology Holdings Limited, but changed its name to Century Sunshine Group Holdings Limited on 3 December 2008.
- 3.5 The Company's shares were listed on the Growth Enterprise Market (*GEM*) of The Hong Kong Stock Exchange Limited (the *SEHK*) on 17 February 2004 and withdrawn from the GEM Board on 31 July 2008. Since 1 August 2008, the Company's shares have been listed on the Main Board of the SEHK (Stock Code 509). The Company is registered as a non-Hong Kong Company in the Hong Kong Companies Registry with CR No. F0012715. Its principal place of business in Hong Kong is situated at Suite 1104, 11<sup>th</sup> Floor, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- 3.6 The executive directors of the Company are Mr. Chi Wen Fu (*Mr. Chi*), Mr. Shum Sai Chit and Mr. Chi Jing Chao. Mr. Chi is the Chairman of the group. The non-executive director is Mr. Guo Mengyong. The independent non-executive directors are Mr. Cheung Sound Poon, Mr. Sheng Hong and Mr. Lau Chi Kit.
- 3.7 The authorised share capital of the Company is HK\$200,000,000.00 divided into 10,000,000,000 shares at par value of HK\$0.02 each. The issued share capital is 4,581,116,843 shares. The main shareholders of the Company are summarised in the table below.

Name of Shareholder	Number of Shares held	Approximate shareholding (%)
Alpha Sino International Limited	1,341,871,364	29.29%
Mr. Chi	249,970,548	5.46%
International Finance Corporation	244,246,275	5.33%

3.8 As of 30 June 2020, the Company's market capitalisation was HK\$348.16 million as detailed on the SEHK website.

#### 4 THE BUSINESS OF THE COMPANY AND THE GROUP STRUCTURE

4.1 The Company is an investment holding company with subsidiaries principally located in the People's Republic of China (the *PRC*) but also in Hong Kong, Bermuda and the British Virgin Islands (together the *Group*).

4.2 The Group was the first listed company in Hong Kong to specialise in the ecological fertiliser business in the PRC. The Group is one of the largest vertically integrated business of magnesium and ecological fertilisers in the PRC. The Group's key businesses include:

(a) Fertiliser business: The Group has a green and ecologically sustainable business producing organic fertilisers, si-mg fertilisers, functional fertilisers and new ecological fertilisers which are used in a variety of crops, including food crops and tea, fruit, vegetables, peanuts, bamboo grove and eucalyptus. The major production bases are located at the Jiangsu Province and Jiangxi Province. The overall production capacity of fertilisers in the Group is 1,450,000 tonnes per annum. This business segment is the cornerstone of the Group.

(b) Magnesium product business: The Group owns a dolomite mine and several magnesium alloy production sites as a one stop value chain from upstream raw materials supply to downstream production. The production sites are located in Jilin Province and the

Xinjiang Uyghur Autonomous Region. The Group cooperates with the Changchun Institute of Applied Chemistry of Chinese Academy of Sciences and owns 22 patents in relation to the production of rare earth magnesium alloy.

## **5 THE COMPANY'S INDEBTEDNESS AND PROVISION OF CORPORATE GUARANTEES**

5.1 According to the Company's unaudited management accounts for the 3 months ending 31 March 2020 (the *Management Accounts*), the Company has:

- (a) Current assets of HK\$2,301,955,087.09 (including cash and cash equivalents of HK\$33,331,107.64).
- (b) Non-current assets of HK\$2,492,009.13.
- (c) Current liabilities of HK\$734,731,819.30.
- (d) Non-current liabilities of HK\$135,900,000.

5.2 The Company's major Current Asset is the debt due from its subsidiaries in the amount of HK\$2,267,419,749.57. Those subsidiaries are not in a position to pay any part of that debt as indicated by the Group's consolidated financial statements.

5.3 The "cash and cash equivalents" value of HK\$33,331,107.64 has reduced since 31 March 2020 and presently stands in the amount of approximately HK\$235,000 in the books of the Company as at 30 June 2020.

5.4 The profit and loss statement included in the Management Accounts shows that for the 3 month period ending 31 March 2020, the Company earned/expended:

- (a) Net income/gains of HK\$162,899;
- (b) Exchange difference gains of HK\$34,764,993;
- (c) Expenses and borrowing costs of 24,949,648; and
- (d) A net loss (excluding the exchange difference gain) for the 3 month period of HK\$24,786,749.

5.5 The Company's current loan indebtedness is summarised as follows (*Debt Instruments*):

- (a) **ICBC Asia Guarantor Debt:** Pursuant to a Hong Kong law governed facility letter between Long Xiang (as borrower) and the Industrial and Commercial Bank of China (Asia) Limited (*ICBC Asia*) (as lender), Long Xiang agreed to borrow and ICBC Asia agreed to provide a term loan facility in the sum of HK\$50,000,000. This loan is secured by a guarantee granted by the Company in favour of ICBC Asia for the debts and liabilities of Long Xiang to ICBC Asia. On 24 June 2020, the Company received a letter from ICBC Asia demanding repayment in the sum of HK\$31,376,964.16 to be paid on or before 26 June 2020.
- (b) **Singapore Bonds:** Pursuant to a Singapore law governed Trust Deed (the *Trust Deed*) between the Company (as issuer), the entities listed in the Trust Deed (as guarantors) and the Bank of New York Mellon, Singapore Branch (as trustee, the *Bond Trustee*) dated 19 May 2015 as amended and restated by an amending and restating trust deed dated 9 May 2017, the Company issued SGD101,750,000 of notes bearing interest at 7% per annum (the *Notes*) with a maturity date of 3 July 2020. The Singapore Bonds are trading on the Singapore Stock Exchange with ISIN SG7CG8000008. As at the date of this Petition, the Company has issued Notes up to SGD101,750,000 of which remain outstanding (equivalent to approximately HK\$563,563,000 as at the exchange rate on 30 June 2020).
- (c) **Bank of Communications loan:** Pursuant to a Hong Kong law governed facility letter dated 17 October 2017 and 25 February 2019 between the Company (as borrower) and the Bank of Communications (as lender) (*BOCOM*), the Company agreed to borrow and BOCOM agreed to provide a revolving loan facility in the amount of HK\$20,000,000 as notified from BOCOM to the Company from time to time. On 30 June 2020, BOCOM issued a demand letter requesting repayment of the outstanding sums due thereunder in the amount of HK\$20,000,000 plus interest within seven (7) days.
- (d) **Exchangeable Bonds:** Pursuant to a Hong Kong law governed subscription agreement entered into between (amongst others) the Company (as issuer) and Wan Tai Investment Limited (as investor) (*Wan Tai*) dated 26 April 2016, the Company issued redeemable fixed coupon exchangeable bonds with the right of exchange into ordinary

shares of Rare Earth Magnesium Technology Holdings Limited or shares of the Group as may be approved by the bondholder in writing whose shares are listed on the SEHK or other Eligible Exchange (as that term is defined therein) in an aggregate principal amount of HK\$232,000,000 at 8% per annum. As at the date hereof, the outstanding amount owing under the Exchangeable Bonds is approximately HK\$108,576,000 which is to be repaid on two repayment dates, being 5 November 2020 and May 2021 in the sums of HK\$48,256,000 and 60,320,000 respectively.

- (e) **Private Bonds:** Pursuant to a Hong Kong law governed Bonds Instrument dated 28 November 2019, the Company (as issuer) may issue 7% fixed coupon unsecured bonds up to an aggregate principal amount of HK\$200,000,000. The bonds were issued to different subscribers on different dates, with a maturity date of two years after issuance. As at the date hereof, the outstanding amount owing under the Private Bonds is approximately HK\$138,900,000 which are repayable on various repayment dates between 30 November 2021 and 13 May 2022.
- (f) **Gilead Nominees Loan:** Pursuant to a loan agreement dated 14 June 2019 between the Company (as borrower) and Gilead Nominees Limited (as lender) (**Gilead Nominees**), the Company agreed to borrow and Gilead Nominees agreed to provide a term loan in the amount of HK\$20,000,000 for a term of nine months, which was extended for a further six months per an agreement dated 10 March 2020. As at the date hereof, the outstanding amount of the Gilead Nominees Loan is HK\$20,000,000 which is repayable on 14 September 2020.

5.6 The Company has also provided the following guarantees (the **Guarantees**) to secure the debts owing by its subsidiaries:

- (a) A guarantee dated 22 March 2018 in respect of all the debts owing by Century Sunshine Ecological Technology Limited (**Century Sunshine Ecological**) in favour of CTBC Bank Co., Ltd. (**CTBC**) under a Hong Kong law governed Facility Letter dated 22 March 2018 pursuant to which CTBC agreed to provide facilities to Century Sunshine Ecological to the limit of HK\$50,000,000.

- (b) A guarantee dated 9 June 2017 in respect of all the debts owing by Long Xiang Enterprises Limited (**Long Xiang**) in favour of Industrial and ICBC Asia under a Facility Letter dated 31 May 2017 pursuant to which ICBC Asia agreed to provide facilities to Long Xiang to the limit of HK\$50,000,000.
- (c) A guarantee dated 23 December 2019 in respect of all the debts owing by Jiangsu Azureblue Technology Development Co., Ltd (**Jiangsu Azureblue**) to the Bank of China (**BOC**) and the Bank of Jiangsu (**BOJ**) under a PRC law governed loan agreement dated 20 December 2019 pursuant to which BOC and BOJ agreed to provide facilities to Jiangsu Azureblue to the limit of RMB160,000,000.
- (d) A guarantee dated 26 December 2019 in respect of all the debts owing by Jiangsu Azureblue to BOJ under a PRC law governed loan agreement dated 21 January 2020 pursuant to which BOJ agreed to provide facilities to Jiangsu Azureblue to the limit of RMB52,000,000.
- (e) A guarantee dated 24 February 2017 in respect of all the debts owing by Shandong Hongri Chemical Joint Stock Company., Ltd. (**Shandong Hongri**) to Industrial and Commercial Bank of China (**ICBC**) under a PRC law governed loan agreement dated 8 November 2019 pursuant to which ICBC agreed to provide facilities to Shandong Hongri to the limit of RMB54,000,000.
- (f) A guarantee dated 1 August 2017 in respect of all the debts owing by Shandong Hongri to China Construction Bank (**CCB**) under PRC law governed loan agreements dated 23 December 2019, 20 January 2020 and 21 January 2020 pursuant to which CCB agreed to provide facilities to Shandong Hongri.
- (g) A guarantee dated 13 December 2019 in respect of all the debts owing by Rare Earth in favour of Mega Prime Development Limited (**Mega Prime**) under a Note Purchase Agreement dated 13 December 2019 pursuant to which Rare Earth issued to Mega Prime secured guaranteed notes in an aggregate principal amount of HK\$100,000,000 due 2022.

(h) A guarantee dated 30 May 2014 as amended and restated pursuant to an amendment and restated guarantee on 7 December 2015 in respect of all the debts owing by Baishan City Tianan Magnesium Resources Co., Ltd (*Baishan City*) in favour of International Finance Corporation (*IFC*) under a loan agreement dated 30 May 2014 as amended and restated on 7 December 2015 pursuant to which IFC agreed to provide the following facilities to Baishan City:

- (i) A loan in the principal amount of US\$25,000,000; and
- (ii) An additional loan in the principal amount of US\$2,000,000.

5.7 In addition, the Company has ongoing expenses that are payable monthly, including salaries, advisory and legal costs, rental fees, bank charges and administrative expenses which are set out below:

Item	Debt	Amount HKD
A.	Director fees and staff salaries	800,000
B.	MPF to be contributed	33,000
C.	Rental fees	220,000
D.	Other administrative expenses	100,000
E.	<b>TOTAL</b>	<b>1,153,000</b>

## 6 GROUP INDEBTEDNESS AND FINANCIAL POSITION

6.1 The Group's sales and production has been negatively affected by the holiday extension and logistic delay across the PRC caused by COVID-19 since early 2020. The Group recorded a drop in revenue for the first four months of 2020 and reported reduced liquidity of the Group's operating cash flow due to increase in inventory and extended account receivables collection period as the businesses of some of the Group's customers in the PRC experienced a slower recovery from the impact of COVID-19.

6.2 According to the Group's unaudited management accounts for the 3 months ending 31 March 2020 (the **Group's Management Accounts**), the Group has:

- (a) Current assets of HK\$2,433,622,000 (including cash and cash equivalents of HK\$470,188,000).
- (b) Non-current assets of HK\$5,003,791,000.
- (c) Current liabilities of HK\$2,317,088,000.
- (d) Non-current liabilities of HK\$923,698,000.

6.3 The profit and loss statement included in the Group's Management Accounts shows that for the 3 month period ending 31 March 2020, when compared to the corresponding 3 month period ending in 2019:

- (a) Revenue reduced from HK\$965,047,000 to HK\$546,031,000 (a fall 43%); and
- (b) Profits decreased from HK\$73,459,000 to HK\$32,530,000 (a fall 56%).

## **7 THE COMPANY IS UNABLE TO PAY ITS DEBTS**

7.1 The Company currently holds cash or cash equivalent in the amount of approximately HK\$235,000 which is insufficient to pay the ICBC Asia Guarantor Debt in the amount of HK\$31,376,964.16 which is presently due and owing, and the Company has no means to raise the funds necessary to pay the ICBC Asia Guarantor Debt (whether from the Group or otherwise).

7.2 Further:

- (a) The total amount owing under the Singapore Bonds as at the date of this Petition is SGD101,750,000 (approximately HK\$563,563,000) plus interest. The Company will not have sufficient funds to repay this amount when it is due on 3 July 2020;
- (b) On 7 July 2020, the sum of HK\$20,000,000 plus interest will become due and owing by the Company to BOCOM on account of the demand for repayment of the BOCOM revolving loan. The Company will not have sufficient funds to repay this amount when it is due on 7 July 2020.

(c) When the Company defaults in making the payments due in respect of the Singapore Bonds, cross-defaults will be triggered under the terms of the following Debt Instruments which will render the Company liable for immediate payment under those Debt Instruments should demand be made:

(i)	Exchangeable Bonds	HK\$108,576,000 (plus interest)
(ii)	Private Bonds	HK\$138,900,000 (plus interest)
(iii)	Gilead Nominees Loan	HK\$20,000,000 (plus interest)
	<b>TOTAL</b>	<b>HK\$267,476,000 (plus interest)</b>

(d) The filing of the Petition by the Company is likely to be an event of default under some of the loans in which the Company has provided the Guarantees, causing the outstanding sums under those loans to be immediately due and payable by the Company.

## **8 GROUNDS FOR THE APPLICATION**

8.1 The Company is unable to pay its debts within the meaning of section 92(d) of the Companies Law and is therefore liable to be wound up.

8.2 It is intended that at the first return date of this Petition, provisional liquidators will be appointed to the Company and the Petition proceedings will be stayed so as to allow time for the Company (in conjunction with the provisional liquidators) to present a compromise or arrangement to the Company's creditors.

### **YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:**

1. The Company be wound up in accordance with section 92(d) of the Companies Law.
2. Mr. Yen Ching Wai David and Ms. So Kit Yee Anita both of Ernst & Young Transactions Limited of 22<sup>nd</sup> Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, Mr. Roy Bailey of Ernst & Young Ltd, 4<sup>th</sup> Floor, Ritter House, Wickhams Cay 2, Road Town, Tortola, British Virgin Islands VG1110, and Ms. Tammy Karina Fu of EY Cayman Ltd, 62 Forum Lane, Camana Bay, P.O. Box 510, Grand

Cayman KY11106, Cayman Islands be appointed as Official Liquidators of the Company (the **Liquidators**).

4. That the Liquidators shall not be required to give security for their appointment.
5. That the Liquidators shall have the power to act jointly and severally in their capacity as liquidators of the Company.
6. That the Liquidators be authorised to take any such action as may be necessary or desirable to obtain recognition of the Liquidators and/or their appointment in any other relevant jurisdiction and to make applications to the courts of such jurisdictions for that purpose.
7. Without prejudice to the generality of the foregoing, the Liquidators be authorised and be granted leave to take all such actions as may be necessary to:
  - (a) Take control of the director and/ or indirect subsidiaries (the **Subsidiaries**) of the Company, and/or joint venture, investment, associated companies, business or other entities (together, the **Associated Companies**) in which the Company holds an interest (or such shares of such subsidiaries and/or associated companies as are owed directly or indirectly by the Company), in each case wherever located, as the Liquidators shall think fit; and/or to call or cause to be called such meetings of such Subsidiaries and/or Associated Companies and/or to sign such resolutions (in accordance with the provisions of any relevant constitutional or related documentation of such companies) and take such other steps, including applications to appropriate courts and/or regulators, as the Liquidators shall consider necessary to appoint or remove directors, legal representatives, officers, and/or managers to or from such Subsidiaries and/or Associated Companies, and in each case take such steps as are necessary to cause the registered agents (or other equivalent corporate administrators) of such Subsidiaries or Associated Companies to give effect to the changes to the board of directors, legal representatives, officers, and/or managers of such companies or entities, including (without limitation) effecting changes to the company registers of such Subsidiaries or Associated Companies as may be deemed appropriate by the Liquidators; and/or to take such action in relation to all such Subsidiaries or Associated Companies as the Liquidators shall think fit for the purpose of protecting the assets of the Company and managing the affairs of the Company (which,

for the avoidance of doubt, shall include the assets and affairs of the Subsidiaries and Associated Companies);

- (b) Liaise with management of the Group to stabilise and preserve value of the Company and the Group; and
  - (c) Communicate on the Company's behalf with the relevant regulators, as appropriate.
8. That the Liquidators be authorised to exercise all of the powers set out in section 110(2) of the Companies Law and Part II of the Third Schedule thereof, without further sanction of this Honourable Court.
  9. No suit, action or other proceeding shall be proceeded with or commenced against the Company except with the leave of this Honourable Court and subject to such terms as this Honourable Court may impose.
  10. No disposition of the property of the Company by or with the authority of the Liquidators in carrying out their duties and functions and exercise of their powers under this Order shall be voided by virtue of Section 99 of the Companies Law.
  11. That the Liquidators be at liberty to appoint such counsel, attorneys, professional advisors, whether in the Cayman Islands or elsewhere, as they may consider necessary to advise and assist them in the performance of their duties and on such terms as they may think fit and to remunerate.
  12. The remuneration and expenses of the Liquidators shall be paid out of the assets of the Company in accordance with Part III of the Insolvency Practitioners' Regulations 2018 (as amended) and Order 20 of the Companies Winding Up Rules 2018.
  13. Subject to section 109(2) of the Companies Law and the Insolvency Practitioner Regulations 2018 (as amended), the Liquidators be authorised to render and pay invoices out of the costs of the Company for their own remuneration.
  14. The Liquidators be at liberty to meet all disbursements reasonably incurred in connection with the performance of their duties and, for the avoidance of doubt, all such payments shall be

made as and when they fall due out of the assets of the Company as an expense of the liquidation.

15. The Liquidators be at liberty to apply generally to this Honourable Court to make such orders for regulating the future conduct of the affairs of the Company as this Honourable Court shall see fit.
16. The costs of and incidental to this Petition be paid forthwith out of the assets of the Company as an expense of the liquidation to be taxed if not agreed.
17. Such further or other relief be granted as this Honourable Court deems appropriate.

**AND** your Petitioner will ever pray etc.

Dated this 2<sup>nd</sup> day of July 2020



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**Harney Westwood & Riegels**

**Attorneys-at-Law for and on behalf of the Petitioner**

NOTE: Notice of this Petition is intended to be given to all known creditors of the Company.

**THIS PETITION** was presented by Harney Westwood & Riegels, Attorneys-at-Law for the Petitioner, whose address for service is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman KY1-1002, Cayman Islands (Ref: CAR/LZL/053895.0001)

**NOTICE OF HEARING**

**TAKE NOTICE THAT** the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman, Cayman Islands on \_\_\_\_\_ at 10:00am.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, George Town, Grand Cayman KY1-1106, Cayman Islands; Tel: 3459494296.