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CHINA ANCHU ENERGY STORAGE GROUP LIMITED

中國安儲能源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2399)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF THE 29% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF THE CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Financial adviser to the Company



**Independent financial adviser to the Independent Board Committee and
Independent Shareholders**



INCU Corporate Finance Limited

ACQUISITION

On 22 July 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the SPA, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 29% of the entire equity interest in the Target Company, at the Consideration of HK\$100 million.

As at the date of this announcement, the Target Company is owned as to 51% by the Purchaser and 49% by the Vendor respectively. Upon Completion, the Target Company will be owned as to 80% by the Purchaser, and accordingly, will remain an indirect non wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is a substantial shareholder of the Target Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules and including the alternative test accepted by the Stock Exchange pursuant to Rule 14.20 of the Listing Rules in lieu of the profit ratio which produces an anomalous result) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Director has a material interest in the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, and is required to abstain from voting on the relevant Board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all three independent non-executive Directors who do not have a material interest in the Acquisition, to consider and to advise the Independent Shareholders whether the terms of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, at the EGM, after taking into account the advice of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, among others, (i) the SPA and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to allot and issue the Consideration Shares.

The Circular containing, among others, (i) details of the SPA, the Acquisition and the Consideration Share Issue; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the transactions contemplated under the SPA, including the Consideration Shares Issue; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the SPA, including the Consideration Shares Issue; (iv) the valuation report of the Target Company; (v) other information as required under the Listing Rules; and (vi) a notice of the EGM together with the proxy form for use at the EGM, will be despatched to the Shareholders on or before 23 August 2024.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment (or waiver, if applicable) of the conditions precedent under the SPA, and Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 22 July 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the SPA, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 29% of the entire equity interest in the Target Company, at the Consideration of HK\$100 million.

As at the date of this announcement, the Target Company is owned as to 51% by the Purchaser and 49% by the Vendor respectively. Upon Completion, the Target Company will be owned as to 80% by the Purchaser, and accordingly, will continue to be an indirect non wholly-owned subsidiary of the Company.

THE SPA

The principal terms of the SPA are as follows:

Date

22 July 2024

Parties

- (i) Novel Star Ventures Ltd. (as Purchaser); and
- (ii) Astute Triumph Holdings Limited (as Vendor).

Subject matter:

The Sale Shares, i.e. 29 ordinary shares in issue of the Target Company, representing 29% of the entire ordinary shares in issue of the Target Company which are held by the Vendor.

Consideration

The Consideration, being HK\$100 million, shall be satisfied by the Purchaser to procure the Company to allot and issue 200,000,000 Consideration Shares to the Vendor under the Specific Mandate at the Issue Price of approximately HK\$0.5 per Consideration Share upon Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms (a) with reference to approximately 21% discount to the preliminary valuation of the Target Company of HK\$128 million as at 30 April 2024 conducted by an independent valuer, namely Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**") using market approach; (b) to avoid creation of odd lots on the Consideration Shares Issue; and (c) after considering the reasons for and benefits of the Acquisition as described under the paragraph headed "Reasons for and benefits of the Acquisition" below.

Valuation approach

The valuation of the Target Group by the Independent Valuer was conducted using the market approach. This approach was chosen because the Target Group primarily sells industrial products, and the cost approach was deemed inadequate to capture the economic benefits generated by the business. Additionally, the income approach would have required subjective assumptions and detailed operational information, making it highly sensitive and complex.

During the valuation process, the Target Group was compared to publicly traded companies operating in a similar industry sector. Since the value of the Target Group is primarily driven by its operating performance, profitability, and capital structure, a ratio of enterprise value to earnings-before-interest, taxes, depreciation & amortization was used with adjustments made to account for the fact that the Target Company is not publicly traded, the size differences between the comparable companies and other factors.

The valuation has taken into consideration (i) the consolidated financial information of the Target Company for the year ended on 31 December 2023 and the three months ended 31 March 2024; (ii) the business of the Target Group; and (iii) the relevant market data, and it was also based on certain assumptions which include, among others, the absence of significant changes to the principal businesses and core operations of the Target Group, the operational and contractual terms outlined in agreements with other parties, and the prevailing political, legal, technological, natural, fiscal, and economic conditions. Details of the valuation of the Target Group will be set out in the valuation report to be included in the Circular.

Based on the above factors, the Board (excluding the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser) considered that the independent valuation to be a fair and reasonable basis for determining the Consideration.

The Issue Price

The Consideration Shares will be issued at the Issue Price of approximately HK\$0.5 per Share, which represents:

- (i) a premium of approximately 66.7% over the closing price of HK\$0.300 per Share as quoted on the Stock Exchange as at the date of the SPA;
- (ii) a premium of approximately 64.5% over the average closing price of approximately HK\$0.304 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the SPA; and
- (iii) a premium of approximately 61.0% over the average closing price of approximately HK\$0.311 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately prior to the date of the SPA.

The Issue Price was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the recent trading prices of the Shares. The Directors (excluding the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser) consider that the Consideration and the Issue Price are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration Shares shall rank *pari passu* in all respects among themselves and with the other Shares in issue on the date of their allotment and issue, save and except the Consideration Shares will not be entitled to any rights, dividends, allotments and/or any other forms of distributions that may be declared, made or paid to the Shareholders prior to the respective dates of their allotment and issue.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares under the Specific Mandate.

Conditions

The Completion shall occur no later than three (3) business days after the date on which the following conditions precedent are fulfilled (or such other date as the Vendor and the Purchaser may agree):

- (i) the Company having complied with all compliance requirements and obtained all approvals (including but not limited to the approval of the Independent Shareholders and the permission of the Listing Committee for the listing of, and deal in, the Consideration Shares) under the Listing Rules and the Stock Exchange in respect of the SPA and the transactions contemplated thereunder;
- (ii) the Purchaser and the Target Company having obtained all necessary consents, authorisations and approvals for the execution of the SPA and the performance of the transactions contemplated hereunder in accordance with all relevant laws, rules and their respective constitutional documents; and
- (iii) the representations and warranties made by the Vendor under the SPA being true, accurate, complete and not misleading.

The Purchaser has the absolute discretion to waive the fulfillment of the above condition precedent referred to in paragraph (iii). Save as aforesaid, none of the other conditions precedent above is capable of being waived.

If the above conditions precedent are not fulfilled or waived by the Purchaser on or before 31 October 2024 (or such other date as the parties may agree in writing), the SPA shall automatically terminate, and neither party shall have any obligation to proceed with the transactions contemplated hereunder, nor shall either party have any claim against the other (except for any breach occurring prior to such termination).

Completion

The Completion shall take place on the Completion Date. Upon Completion, the Target Company will remain an indirect non wholly-owned subsidiary of the Company and the financial results of the Target Company will continue to be consolidated in the financial statements of the Group.

EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,787,389,000 Shares in issue. The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately upon Completion and the allotment and the issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion):

Shareholder	As at the date of this announcement		Immediately upon the allotment and issue of Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Ms. Wang Xiu Hua ⁽¹⁾	540,207,000	19.4	540,207,000	18.1
Equal Plus Limited ⁽²⁾	190,652,000	6.8	190,652,000	6.4
Everkept Limited ⁽³⁾	76,610,000	2.8	76,610,000	2.6
Mr. Lu Ke ⁽⁴⁾	103,090,000	3.7	103,090,000	3.4
The Vendor	—	—	200,000,000	6.7
Other public Shareholders	1,876,830,000	67.3	1,876,830,000	62.8
Total	<u>2,787,389,000</u>	<u>100.0</u>	<u>2,987,389,000</u>	<u>100.0</u>

Note:

- (1) Ms. Wang Xiu Hua is the mother of Mr. Wang Yan, a non-executive Director and the direct beneficial owner of 498,504,000 Shares.
- (2) Mr. Kwok Hon Fung, an executive Director and the chief executive officer of the Company and the son of Mr. Kwok Kin Sun, is deemed to be interested in all the Shares held by Equal Plus Limited by virtue of his 100% interest in the share capital of Equal Plus Limited. Equal Plus Limited is an associated corporation of the Company pursuant to the SFO. Mr. Kwok Hong Fung, in the capacity as a beneficial owner, held the entire issued share capital of Equal Plus Limited.
- (3) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited by virtue of his 70% interest in the share capital of Everkept Limited.
- (4) Mr. Lu Ke is an executive Director of the Company.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities in the past twelve months immediately preceding the date of this announcement:

Date of announcement	Fund raising activity	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
12 December 2023	Issue of new Shares under general mandate	Approximately HK\$199.1 million	For future business development, repayment of debts and general working capital	The amounts of approximately HK\$103.6 million, approximately HK\$5.1 million and approximately HK\$90.4 million were fully utilised for future business development, repayment of debt and general working capital, respectively.
19 June 2024	Issue of new Shares under general mandate	Approximately HK\$21.0 million	For general working capital	The amount of approximately HK\$9.0 million had been utilised for general working capital. It is expected that the remaining proceeds will be utilised by the end of 2024.

Save as disclosed above, there has not been any equity fund raising activity conducted by the Company in the past twelve months immediately preceding the date of this announcement.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability which is owned as to 60% by Mr. Yang Zhi and 40% by Mr. Chen Hao Song respectively. The Vendor is principally engaged in investment holding. The Vendor is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the Target Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability which was established by the Purchaser and the Vendor on 8 June 2021 with fully paid-up issued capital of US\$100. The Target Company is owned as to 51% by the Purchaser and 49% by the Vendor as at the date of this announcement and is principally engaged in investment holding. Its wholly-owned subsidiary, Oriental Starway Limited, is a company incorporated in Hong Kong and is principally engaged in the sales of industrial products to customers located in Saudi Arabia.

Set out below is a summary of the financial information in the unaudited consolidated accounts of the Target Group for each of the two financial years ended 31 December 2023 and the three months ended 31 March 2024:

	For the financial year ended 31 December		For the three months ended 31 March
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
	Approximate (unaudited)	Approximate (unaudited)	Approximate (unaudited)
Net profit before taxation	32,645	129,584	10,357
Net profit after taxation	27,259	109,826	8,648

As at 31 March 2024, the unaudited consolidated net assets of the Target Group was approximately HK\$154 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel and brand licensing in the PRC and sales of energy storage battery in the PRC. The Purchaser is principally engaged in investment holding.

The Company has experienced loss-making since 2018 and the Group has been striving to expand its business from a single-focused business to a more diversified revenue stream business model. Upon the establishment of the Target Company and the introduction of the industrial products segment in 2021, leveraging on the Vendor's rich experience in sales and marketing and strong relationship with customers in Middle East, the Group witnessed a robust growth in revenue starting in 2022. Meanwhile, the Group also reached out to the energy-related business, yet it is still at its early stage of development. Hence, industrial products segment became the major revenue contributor of the Group. As at the date of this announcement, the Group, through the Purchaser, is currently holding 51% equity interest in the Target Company and its financial results have all along been consolidated in the financial statements of the Group. In view of the continuing growth trend of the industrial products segment and the strong economy in Saudi Arabia, the Directors (excluding the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser) propose acquiring an additional 29% stake in the Target Company with an aim to maximise the value and benefits of the Company and the Shareholders.

The Target Group has been generating a significant portion of revenue to the Group since its incorporation, solidifying its position as a vital component of the overall business operations of the Group. Driven by the satisfactory performance of the Target Group and the future development potential of the automotive market in Saudi Arabia, the Acquisition would further enhance the Group's long-term financial performance, increase returns to the Shareholders, and optimise the utilisation of financial resources. The allotment and issuance of Consideration Shares as part of the Acquisition could align the interest of the Vendor with the Group for the future development of the Target Group, as the Vendor would continue to be a minority shareholder of the Target Company, whose staff would continue to hold management positions in the Target Group, thereby enhancing the value of the Shares and supporting the Group's development.

Having considered the above, the Directors (excluding the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser) consider that the terms and conditions of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, are on normal commercial terms and are fair and reasonable and that the Acquisition involving the Consideration Shares Issue, is in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Vendor is a substantial shareholder of the Target Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules and including the alternative test accepted by the Stock Exchange pursuant to Rule 14.20 of the Listing Rules in lieu of the profit ratio which produces an anomalous result) in respect of the Acquisition are more than 5% but are all less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the Director has a material interest in the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, and is required to abstain from voting on the relevant Board resolutions.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all three independent non-executive Directors who do not have a material interest in the Acquisition, to consider and to advise the Independent Shareholders whether the terms of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, at the EGM, after taking into account the advice of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, among others, the SPA, the Acquisition and the Consideration Shares Issue.

The Circular containing, among others, (i) details of the SPA and the Acquisition; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the transactions contemplated under the SPA, including the Consideration Shares Issue; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the SPA, including the Consideration Shares Issue; (iv) the valuation report of the Target Company; (v) other information as required under the Listing Rules; and (vi) a notice of the EGM together with the proxy form for use at the EGM, will be despatched to the Shareholders on or before 23 August 2024.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment (or waiver, if applicable) of the conditions precedent under the SPA, and Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser subject to and upon the terms and conditions of the SPA
“Board”	the board of Directors
“Circular”	the circular of the Company to be despatched in respect of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue
“Company”	China Anchu Energy Storage Group Limited (中國安儲能源集團有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2399)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SPA involving the Consideration Share Issue
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition in the sum of HK\$100 million
“Consideration Shares”	the 200,000,000 new Shares to be allotted and issued by the Company to the Vendor each at the Issue Price
“Consideration Shares Issue”	the allotment and issue of the Consideration Shares to the Vendor under the SPA
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, to approve, among other, (i) the SPA and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to allot and issue the Consideration Shares

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Mr. Ma Yu-heng, which has been established for the purposes of making recommendations to the Independent Shareholders in respect of the fairness and reasonableness of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue
“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue
“Independent Shareholders”	Shareholders, other than the Vendor and its associates, who have no material interest in the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue
“Issue Price”	HK\$0.5, being the issue price per Consideration Share
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Novel Star Ventures Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“RMB”	Renminbi
“Sale Shares”	29 ordinary shares in the Target Company, representing 29% of its issued and paid up share capital, to be acquired by the Purchaser from the Vendor under the SPA
“SFC”	Securities and Futures Commission

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the sale and purchase agreement dated 22 July 2024 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders for the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Rosy Estate Global Limited, a private limited company incorporated in the British Virgin Islands, in which the Purchaser held 51% interest and the Vendor held 49% interest as at the date of the SPA and is a non wholly-owned subsidiary of the Company
“Target Group”	the Target Company and Oriental Starway Limited
“US\$”	United States Dollar(s), the lawful currency of the United States of America
“Vendor”	Astute Triumph Holdings Limited, a company incorporated in the British Virgin Islands
“%”	per cent

By Order of the Board
China Anchu Energy Storage Group Limited
Duan Huiyuan
Executive Director

Hong Kong, 22 July 2024

As at the date of this announcement, the executive Directors are Mr. Kwok Kin Sun, Mr. Kwok Hon Fung, Mr. Lu Ke and Mr. Duan Huiyuan; the non-executive Director is Mr. Wang Yan; and the independent non-executive Directors are Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Mr. Ma Yu-heng.

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