THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Anchu Energy Storage Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s), the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

中国安储能源集团
China AnChu Energy Storage Group

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 AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

八方 金融有限公司
OCTAL Capital Limited

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

INCU

INCU Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A notice convening the EGM to be held at Unit 3209, 32nd Floor, 9 Queen's Road Central, Central, Hong Kong on Wednesday, 25 September 2024 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with 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 to the branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. 3:00 p.m. on Monday, 23 September 2024) or any adjournment thereof (as the case may be). 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 (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

6 September 2024

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor subject to and upon the terms and conditions of the SPA
"Announcements"	the announcements of the Company dated 22 July 2024 and 24 July 2024 in relation to the entering into of the SPA
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"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 Shares 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 Share(s)"	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
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened on Wednesday, 25 September 2024 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
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Issue Price"	HK$0.5, being the issue price per Consideration Share
"Latest Practicable Date"	3 September 2024, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
"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 with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC

"Sale Shares"	29 ordinary shares in the Target Company, representing 29% of its entire ordinary shares in issue, 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$0.0025 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SPA"	the sale and purchase agreement dated 22 July 2024 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Specific Mandate"	a specific mandate to be sought from the Independent Shareholders for the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Rosy Estate Global Limited, a company incorporated in the British Virgin Islands with limited liability, in which the Purchaser held 51% interest and the Vendor held 49% interest as at the Latest Practicable Date and is an indirect non wholly-owned subsidiary of the Company
"Target Group"	the Target Company and Oriental Starway Limited
"US$"	United States Dollar(s), the lawful currency of the United States of America
"Valuation"	the valuation of the Sale Shares
"Valuation Report"	the valuation report on the Sale Shares as at 30 April 2024 prepared by the Independent Valuer, the text of which is set out in Appendix I to this circular
"Vendor"	Astute Triumph Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
"%"	per cent

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)

Executive Directors:
Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Mr. Lu Ke
Mr. Duan Huiyuan

Non-executive Director:
Mr. Wang Yan

Independent Non-executive Directors:
Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Mr. Ma Yu-heng

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and principal place of business in the People's Republic of China:
Fordoo Industrial Zone E12
Xunmei Industrial Zone, Fengze District
Quanzhou City, Fujian Province, China

Principal place of business in Hong Kong:
Suite 708A, 7/F
Champion Tower
3 Garden Road, Central
Hong Kong

6 September 2024

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcements in relation to entering into of the SPA.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the above matter; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the Valuation Report; (iv) the general information of the Group; and (v) a notice for convening the EGM.

On 22 July 2024 (after trading hours), the Purchaser (a 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 ordinary shares in issue of the Target Company, at the Consideration of HK$100 million.

As at the Latest Practicable Date, 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 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 18.0% discount to the Valuation of HK$122 million as at 30 April 2024 based on the Valuation Report prepared by 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.

The Valuation of HK$128 million based on a preliminary valuation as set out in the Announcements has been adjusted downwards to HK$122 million as set out in the Valuation Report as the source of market data and research in determining the valuation parameters that were used in the Valuation Report has been updated. The updated market data from the source include those of the financial information of the comparable companies and the discount rate for the lack of marketability of the Target Company.

Valuation approach

The Valuation by the Independent Valuer used 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 contributed 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 Company is primarily driven by its operating performance, profitability, and capital structure, a ratio of enterprise value to earnings-before-interest, taxes, depreciation & amortisation ("**EV/EBITDA**") 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 2023 and 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. Please refer to the Valuation Report in Appendix I to this circular for the details of the Valuation.

The Valuation was considered and assessed by the Board, taking into consideration the key assumptions, pricing multiples and market comparables. The Board considered the relative valuation metrics and market positioning of the Target Company, and is of the view that the EV/EBITDA multiple of approximately 5.27 times adopted by the Independent Valuer in the Valuation under the market approach is fair and reasonable. The Target Group is principally engaged in the sales of industrial products in Saudi Arabia, which accounted for all of its revenue for the year ended 31 December 2023. Unlike other capital-intensive industries, substantial capital investment is typically not required for the sale of industrial products by the Target Group. As such, the Board is of the view that comparing solely the net assets value using the price-to-book value ratio may not accurately reflect the value and potential of the Target Group's business and operations while the EV/EBITDA multiple as applied by the Independent Valuer in the Valuation Report could better reflect the earnings capability of the

Target Group. Moreover, the Consideration of HK$100 million represents a discount of approximately 18.0% to the Valuation using the market approach which is favourable to the Group.

Based on (i) the review of the Valuation Report; (ii) the discussions with the Independent Valuer and inquiries about the methodologies, assumptions and parameters adopted and the credentials of the Independent Valuer (details of which are set forth in Appendix I to this circular); (iii) appropriate adjustments have been made to account for the differences in size and region between the Target Company and the selected comparables; and (iv) the EV/EBITDA multiple is more appropriate than other metrics for determining the Valuation, the Board considered that the Valuation to be a fair and reasonable basis for determining the Consideration.

In light of the above, the Directors are of the view that the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Issue Price

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

(i) a premium of approximately 92.3% over the closing price of HK$0.260 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) 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;

(iii) 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;

(iv) 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;

(v) a premium of approximately 62.9% over the average closing price of approximately HK$0.307 per Share as quoted on the Stock Exchange for the 30 consecutive trading days of the Shares immediately prior to the date of the SPA;

(vi) a premium of approximately 24.4% over the average closing price of approximately HK$0.402 per Share as quoted on the Stock Exchange for the 180 consecutive trading days of the Shares immediately prior to the date of the SPA; and

(vii) the issue price (the "**GM Issue Price**") of HK$0.5 per Share of an issue of new Shares under general mandate pursuant to the subscription agreement entered into by the Company dated 29 May 2024, the same of which was completed on 19 June 2024.

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 Share and the GM Issue Price which represents the most recent Share issue price to an independent third party to the Company. The Directors 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 Precedent

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).

As at the Latest Practicable Date, none of the above conditions has been waived or fulfilled.

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 Latest Practicable Date, the Company has 2,787,389,000 Shares in issue. The following table sets out the shareholding structure of the Company as at the Latest Practicable Date 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 Latest Practicable Date**		**Immediately upon the allotment and issue of Consideration Shares**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Ms. Wang Xiu Hua (1)	530,344,000	19.0	530,344,000	17.7
Equal Plus Limited (2)	190,102,000	6.8	190,102,000	6.4
Everkept Limited (3)	76,547,000	2.8	76,547,000	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	1,887,306,000	67.7	1,887,306,000	63.2
Total	**2,787,389,000**	**100**	**2,987,389,000**	**100**

Note:

(1) Ms. Wang Xiu Hua is the mother of Mr. Wang Yan, a non-executive Director and the direct beneficial owner of 530,344,000 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.

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 Latest Practicable Date:

Date of announcements	Fund raising activity	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
22 November 2023 & 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 had been fully utilised for future business development, repayment of debt and general working capital respectively.
29 May 2024 & 19 June 2024	Issue of new Shares under general mandate	Approximately HK$20.9 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 Latest Practicable Date.

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 it 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 Latest Practicable Date 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 consolidated financial statements of the Target Group for each of the two financial years ended 31 December 2023 and the three months ended 31 March 2023 and 31 March 2024:

	For the financial year ended 31 December		**For the three months ended 31 March**	
	2022	**2023**	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Approximate	*Approximate*	*Approximate*	*Approximate*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	580,225	573,790	158,893	64,147
Net profit before taxation	32,645	129,584	29,591	10,357
Net profit after taxation	27,259	109,826	24,708	8,648

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

The decrease in revenue of the Target Group during the three months ended 31 March 2024 was primarily attributable to the shipping crisis in Red Sea amid the warfare in the region which began in late 2023. Vessels sailing in Red Sea have been attacked and this had led to the re-routing of commercial vessels in the region. As a result, the Target Group had delayed the delivery of the industrial products transported by sea to its customers in Saudi Arabia and thus the recognition of revenue arising from the sales of industrial products, leading to the decrease in net profit of the Target Group in the three months ended 31 March 2024. In the second quarter of 2024, the time lag in the delivery of the Target Group's industrial products to its customers in Saudi Arabia has been gradually overcome and revenue of the Target Group in the second quarter of 2024 increased to approximately HK$127,963,000 which is comparable to that of the second quarter of 2023 of approximately HK$136,941,000, while recognition of revenue of some sales orders in June 2024 were delayed to July 2024 as a result of the increased delivery time. The major customers of the Target Group indicated that they remain optimistic about the economic outlook and the demand for the industrial products in Saudi Arabia and that the shipping crisis would not last for a prolonged period. Having considered the above and the historical sales amount of the Target Group, the Board is of the view that the revenue of the Target Group could catch up in the second half of 2024 and return to the normal level.

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 the 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, the industrial products segment became the major revenue contributor of the Group. As at the Latest Practicable Date, 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 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 the Group's financial resources. The allotment and issue 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 Board is of the view 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 the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 24 September 2024 to Wednesday, 25 September 2024, both days inclusive, during which no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 September 2024.

THE EGM

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue. As such, none of the Shareholders are required to abstain from voting in favour of the resolution approving the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue.

A notice convening the EGM to be held on Wednesday, 25 September 2024 at 3:00 p.m. at Unit 3209, 32nd Floor, 9 Queen's Road Central, Central, Hong Kong is set out in this circular. At the EGM, an ordinary resolution will be proposed to approve the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue. A form of proxy for use at the EGM is enclosed with this circular and is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (www.chinaanchu2399.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Wednesday, 25 September 2024. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 September 2024.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at the general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In compliance with the Listing Rules, the votes at the EGM will be taken by poll, the results of which will be announced after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendations in respect of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, are contained in the letter from the Independent Board Committee) are of the opinion that the terms of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

Your attention is drawn to the "Letter from the Independent Board Committee" containing its recommendations to the Independent Shareholders set out on pages 16 to 17 of this circular and the "Letter from the Independent Financial Adviser" containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors which it has considered in arriving at its advice with regard to the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, as set out on pages 18 to 41 of this circular.

Shareholders are advised to read carefully the "Letter from the Independent Board Committee" regarding the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, on pages 16 to 17 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 18 to 41 of this circular, considers that the terms of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM as set out on pages EGM-1 to EGM-2, which form part of this circular.

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

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.

中国安储能源集团
China AnChu Energy Storage Group

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)

6 September 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 6 September 2024 ("**Circular**") of the Company of which this letter forms part. Terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been formed to advise the Independent Shareholders on, amongst other matters, the fairness and reasonableness of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue.

INCU Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on their fairness and reasonableness, whether the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue are in the interests of the Company and the Shareholders as a whole and how the Shareholders should vote regarding the resolution to be proposed at the EGM in relation to them.

We wish to draw your attention to (i) the Letter from the Board as set out on pages 4 to 15 of the Circular; (ii) the Letter from the Independent Financial Adviser as set on pages 18 to 41 of the Circular; and (iii) the additional information as set out in the appendices to the Circular.

We consider that the Acquisition is not in the ordinary and usual course of business of the Group.

Having taken into account the terms and conditions of the SPA, and the advice from the Independent Financial Adviser, we consider that the terms of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
Independent Board Committee
Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Mr. Ma Yu-heng
Independent Non-Executive Directors

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the SPA and the transaction contemplated thereunder, including the Consideration Shares Issue.

INCU Corporate Finance Limited
Unit 1402, 14/F, Winsome House,
73 Wyndham Street,
Central, Hong Kong

6 September 2024

*To: The Independent Board Committee and
the Independent Shareholders of
China Anchu Energy Storage Group Limited*

Dear Sirs or Madams,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, details of which are set out in the letter from the board (the "**Letter from the Board**") contained in the circular of the Company dated 6 September 2024 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcements of the Company dated 22 July 2024 and 24 July 2024, on 22 July 2024 (after trading hours), the Purchaser (a 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 ordinary shares in issue of the Target Company, at the Consideration of HK$100 million.

As at the Latest Practicable Date, 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.

As at the Latest Practicable Date, 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.

We have not acted as an independent financial adviser and as not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition, and accordingly, are eligible to give independent advice and recommendations on the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Mr. Ma Yu-heng, has been established 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 and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the SPA and the transactions contemplated thereunder, including the Consideration Shares Issue, are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the Valuation Report prepared by the Independent Valuer as set out in Appendix I of this Circular and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2023 (the "**Annual Report 2023**") and the interim results announcement of the Company for the six months ended 30 June 2024 (the "**Interim Results 2024**"). We have also discussed with the Directors and the management of the Company with respect to the terms of and the basis and assumptions adopted in the Valuation Report and the reasons for and benefits of the Acquisition. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

(a) Background of the Group

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 (the "**Industrial Products Segment**") to customers located in Saudi Arabia, the sales of menswear apparel and brand licensing (the "**Menswear Apparel Segment**") in the PRC and sales of energy storage battery (the "**Energy Storage Battery Segment**") in the PRC. The Purchaser is principally engaged in investment holding.

For the Industrial Products Segment, the Group sells automotive, motorcycle and other industrial products through the Target Group to customers located in Saudi Arabia.

For the Menswear Apparel Segment, the Group focuses on the sales of its branded menswear apparel and brand licensing. The Group completed the transformation from labour intensive manufacturing industry to outsourcing its branded menswear apparel by leveraging its own design talent in 2021.

The Group further expanded to the business of Energy Storage Battery Segment by acquiring the intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery in 2022. The Group believes that the energy storage battery market will have promising prospects for development under the support of the national policy of "carbon emission reduction" in the PRC. The energy storage battery production is still under trial production stage.

(b) Financial performance of the Group

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2022 ("**FY2022**") and 31 December 2023 ("**FY2023**") respectively as extracted from the Annual Report 2023 and for the six months ended 30 June 2023 ("**HY2023**") and 30 June 2024 ("**HY2024**") respectively as extracted from the Interim Results 2024:

	FY2022 *approximately RMB'000 (audited)*	**FY2023** *approximately RMB'000 (audited)*	**HY2023** *approximately RMB'000 (unaudited)*	**HY2024** *approximately RMB'000 (unaudited)*
Revenue				
(a) Industrial Products Segment	500,878	517,037	262,891	174,591
(b) Menswear Apparel Segment	102,635	122,506	53,998	49,182
(c) Energy Storage Battery Segment	398	5,541	172	6,018
Total revenue	**603,911**	**645,084**	**317,061**	**229,791**
(Loss)/Profit from operations	**(77,422)**	**50,732**	**(38,138)**	**(54,883)**
Loss for the year/period	**(88,643)**	**(4,493)**	**(52,258)**	**(72,545)**
Loss for the year/period attributable to equity owners of the Company	**(100,012)**	**(52,266)**	**(40,044)**	**(81,795)**

FY2022 vs FY2023

As shown in the above table, the total revenue of the Group was approximately RMB645.08 million for FY2023, representing an increase of approximately RMB41.17 million or 6.8% from approximately RMB603.91 million for FY2022. The revenue of the Industrial Products Segment accounted for approximately 82.9% and 80.2% of the total revenue of the Group for FY2022 and FY2023 respectively. The slight increase in total revenue of the Group was due to (i) the increase in the revenue of the Industrial Products Segment of approximately RMB16.16 million; (ii) the increase in revenue of the Menswear Apparel Segment of approximately RMB19.87 million; and (iii) the increase in revenue of the Energy Storage Battery Segment of approximately RMB5.14 million. As stated in the Annual Report 2023, the increase in revenue from the Industrial Products Segment was mainly due to the strong demand from the customers in Saudi Arabia. The increase in revenue from the Menswear Apparel Segment was primarily due to (i) people resuming normal life in the post-pandemic era leading to a slightly retail market recovery in the PRC and hence increased demand for apparel products; and (ii) increase in the brand licensing income. The increase in the revenue of the Energy Storage Battery Segment represented the result and progress of the trial production of the zinc-bromine flow battery research and development production base located in the Jiangning Development Zone.

The Group recorded profit from operations of approximately RMB50.73 million for FY2023, as compared with the loss from operations of approximately RMB77.42 million for FY2022. The turnaround from loss to profit was mainly due to (i) increase in revenue as mentioned above; (ii) decrease in the net impairment losses under expected credit losses on trade receivables of approximately RMB110.64 million; and (iii) absence of impairment loss of intangible assets of approximately RMB6.91 million.

According to the Annual Report 2023, among the three segments of the Group, the Industrial Products Segment was the only segment that generated net profit, which was amounted to approximately RMB23.51 million and RMB97.48 million for FY2022 and FY2023 respectively. As the Group holds only 51% of the equity interest in the Target Company as at the Latest Practicable Date, part of the profit of the Target Group was distributed to the Vendor. Therefore, although the loss for the year of the Group was approximately RMB88.64 million and RMB4.49 million for FY2022 and FY2023 respectively, the Group recorded net loss attributable to equity owners of the Company of approximately RMB100.01 million and RMB52.27 million for FY2022 and FY2023 respectively. The reduction of the net loss attributable to equity owners of the Company was mainly due to the reduction of the net impairment losses on trade receivables and absence of impairment loss of intangible assets as discussed above.

HY2023 vs HY2024

As shown in the above table, the total revenue of the Group was approximately RMB229.79 million for HY2024, representing a decrease of approximately RMB87.27 million or 27.5% from approximately RMB317.06 million for HY2023. The revenue of the Industrial Products Segment accounted for approximately 82.9% and 76.0% of the total revenue of the Group for HY2023 and HY2024 respectively. The decrease in total revenue of the Group was the combined effect of (i) the decrease in revenue of the Industrial Products Segment of approximately RMB88.30 million as a result of the shipping crisis in Red Sea as further discussed in the section headed "3. Background of the Target Group" below in this letter; (ii) the decrease in revenue of the Menswear Apparel Segment of approximately RMB4.82 million as a result of the weak retail environment in the PRC; and (iii) the increase in revenue of the Energy Storage Battery Segment of approximately RMB5.85 million as a result of the trial production in the zinc-bromine flow battery research and development production base as discussed above.

As a result of the decrease in total revenue of the Group, the net loss from operations of the Group increased from approximately RMB38.14 million for HY2023 to approximately RMB54.88 million for HY2024 and the net loss attributable to equity owners of the Company increased from approximately RMB40.04 million for HY2023 to approximately RMB81.80 million for HY2024.

According to the Interim Results 2024, despite the decrease in revenue of the Industrial Products Segment, the Industrial Products Segment was still the only segment that generated net profit of approximately RMB1.35 million and RMB18.86 million for HY2023 and HY2024 respectively among the three segments of the Group.

(c) Financial position of the Group

Set out below is the consolidated statement of financial position of the Group as at 31 December 2023 and 30 June 2024 respectively as extracted from Interim Results 2024:

	As at 31 December 2023 *approximately RMB'000 (audited)*	**As at 30 June 2024** *approximately RMB'000 (unaudited)*
Non-current assets		
Property, plant and equipment	22,706	20,496
Investment properties	372,143	366,963
Right-of-use assets	222,887	217,271
Intangible assets	40,165	38,006
Prepayment for acquisition of property, plant and equipment	30,106	31,233
Deferred tax assets	100,258	98,082
	788,265	772,051
Current assets		
Inventories	30,701	85,150
Trade and other receivables	836,211	733,115
Cash and cash equivalents	70,319	40,981
	937,231	859,246
Total assets	**1,725,496**	**1,631,297**
Current liabilities		
Trade and other payables	513,784	422,342
Bank borrowings	382,000	390,000
Loans from a shareholder	36,744	52,646
Lease liabilities	4,194	2,925
Corporate bonds	11,436	9,760
Convertible bond	—	2,735
Current taxation	25,972	26,256
	974,130	906,664
Non-current liabilities		
Bank borrowings	—	10,000
Other borrowing	—	217
Deferred tax liabilities	37,740	37,740
Lease liabilities	867	—
Corporate bonds	23,692	22,215
Convertible bond	2,647	—
	64,946	70,172
Total liabilities	**1,039,076**	**976,836**
Net assets	**686,420**	**654,461**

As shown in the above table, we note that the non-current assets of the Group do not have material increase or decrease over the period between 31 December 2023 and 30 June 2024.

The current assets of the Group decreased from approximately RMB937.23 million as at 31 December 2023 to approximately RMB859.25 million as at 30 June 2024, representing a decrease of approximately RMB77.98 million. Such decrease was mainly due to the decrease in trade and other receivables of approximately RMB103.09 million, which was in line with the decrease in revenue for HY2024 as discussed above.

The current liabilities of the Group decreased from approximately RMB974.13 million as at 31 December 2023 to approximately RMB906.66 million as at 30 June 2024, representing a decrease of approximately RMB67.47 million. Such decrease was mainly due to the decrease in trade and other payables of approximately RMB91.44 million, which was in line with the decrease in revenue for HY2024 as discussed above.

The non-current liabilities of the Group remained stable between 31 December 2023 and 30 June 2024.

2. Background of 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.

3. Background of 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 Latest Practicable Date 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 financial statements of the Target Group for the two financial years ended 31 December 2023 and the three months ended 31 March 2023 and 31 March 2024:

	FY2022 *Approximately HK$'000 (unaudited)*	**FY2023** *Approximately HK$'000 (unaudited)*	**For the three months ended 31 March 2023** *Approximately HK$'000 (unaudited)*	**For the three months ended 31 March 2024** *Approximately HK$'000 (unaudited)*
Revenue	580,225	573,790	158,893	64,147
Net profit before taxation	32,645	129,584	29,591	10,357
Net profit after taxation	27,259	109,826	24,708	8,648

We note that the revenue of the Target Group remained stable for FY2022 and FY2023 but the net profit after taxation of the Target Group increased from approximately HK$27.26 million for FY2022 to approximately HK$109.83 million for FY2023. Such increase was mainly due to the decrease in general and administrative expenses of approximately HK$63.83 million as a result of the management fee of approximately HK$63.75 million which was incurred by the Target Group in FY2022 paid to the Group in respect of the costs for initial setup and business development services provided by the Group to the Target Group.

The revenue of the Target Group decreased from approximately HK$158.89 million for the three months ended 31 March 2023 to approximately HK$64.15 million for the three months ended 31 March 2024 and the net profit after taxation of the Target Group decreased from approximately HK$24.71 million for the three months ended 31 March 2023 to approximately HK$8.65 million for the three months ended 31 March 2024. According to the Letter from the Board, such decrease was mainly due to the decrease in revenue as a result of the shipping crisis in Red Sea amid the warfare in the region which began in late 2023. Vessels sailing in Red Sea have been attacked and this had led to the re-routing of commercial vessels in the region. Therefore, the Target Group had delayed the delivery of the industrial products transported by sea to its customers in Saudi Arabia and thus the recognition of revenue arising from the sales of industrial products.

As stated in the Letter from Board, in the second quarter of 2024, the time lag in the delivery of the Target Group's industrial products to its customers in Saudi Arabia has been gradually overcome and the revenue of the Target Group in the second quarter of 2024 increased to approximately HK$127,963,000 which is comparable to that of the second quarter of 2023 of approximately HK$136,941,000, while recognition of revenue of some sales orders in June 2024 were delayed to July 2024 as a result of the increased delivery time. The major customers of the Target Group indicated that they remain optimistic about the economic outlook and the demand for the industrial products in Saudi Arabia and that the shipping crisis would not last for a prolonged period. Having considered the above and the historical sales amount of the Target Group, the Board is of the view that the revenue of the Target Group could catch up in the second half of 2024 and return to the normal level.

Although the revenue and the net profit after taxation for the three months ended 31 March 2024 has been decreased as compared with the corresponding period in 2023, after considering that (i) the revenue in the second quarter of 2024 has resumed to a similar level to that in the second quarter of 2023; (ii) the Saudi Arabia government policies are favourable to the Industrial Products Segment as further discussed in the section headed "4. Reasons for and benefits of the Acquisition" below in this letter; (iii) the Valuation is calculated based on the financial information for the twelve months ended 31 March 2024, which has considered the financial impact of the shipping crisis during the three months ended 31 March 2024; and (iv) the Consideration represents a discount of 18.0% to the Valuation, we consider the Acquisition is fair and reasonable.

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

4. Reasons for and benefits of the Acquisition

According to the Letter from the Board, 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 the 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, the Industrial Products Segment became the major revenue contributor of the Group. As at the Latest Practicable Date, 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 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.

As stated in the Letter from the Board, 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 the Group's financial resources. The allotment and issue 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.

According to the Valuation Report, the Target Company through its major subsidiary, Oriental Starway Limited, is mainly engaged in sales of the automotive parts and fixtures and fittings products to the customers located in Saudi Arabia. In respect of the prospect of the Target Group and the Industrial Products Segment in Saudi Arabia, we have reviewed the latest report of Saudi Arabia's Vision 2030 as announced by the Saudi Arabia government (the "**Saudi Arabia's Vision 2030 Report**") (https://www.vision2030.gov.sa/media/ufuh40is/story-of-transformation-2023.pdf) on the website of Saudi Arabia's Vision 2030. According to Saudi Arabia's Vision 2030, Saudi Arabia government aims to transform the country from an oil-dependent economy to a diversified economy by investing and expanding non-oil industries, such as tourism and manufacturing, in order to create long-term and sustainable economic growth and career opportunities. By fostering an environment that encourages industrial innovation and growth, Saudi Arabia aims to establish itself as a leading industrial power in the region. Due to the country's successful diversification, the non-oil sector expanded by 4.7% in 2023 with non-oil activities accounting for 50% of the GDP of the country. As stated in the Saudi Arabia's Vision 2030 Report, the Saudi Arabia government focuses on expanding its industrial bases by localizing industries with high potential and drawing in both global and regional investments. Among the advanced manufacturing sectors, automotives is one of the key sectors that the Saudi Arabia government strategically focuses on. Notable investments of automotives industry in the country include the first car manufacturing facility of Lucid Group in Saudi Arabia opened in 2023, which will assemble 5,000 Lucid vehicles per year with future plans to increase production capacity up to 155,000 Lucid vehicles, and the partnership between Hyundai Motor Company and Public Investment Fund of Saudi Arabia to establish a new automotive manufacturing plant in the country with a total investment amount of over US$500 million. Saudi Arabia is also developing its own electric vehicle brand, Ceer, with BMW and Foxconn as partners and aims to produce 500,000 Ceer vehicles annually by 2030. Furthermore, according to the Saudi Arabia's Vision 2030 Report and the information on the website of the Saudi Arabia's Vision 2030, before the launch of the Saudi Arabia's Vision 2030, families in Saudi Arabia could wait up to 15 years to receive housing support. Under the housing program driven by the Saudi Arabia's Vision 2030, numerous real estate development projects are bolstering Saudi Arabia's housing shortfall, while providing investment and job opportunities. The home ownership rate increased from 47% to more than 60% in the end of 2022, which the government aims to achieve 70% home ownership rate by 2030. The real estate sector has contributed 12.8% to the gross domestic product (GDP) of the country in 2023.

After considering that (i) the Industrial Products Segment was a major revenue source of the Group that accounted for over 75% of the revenue of the Group for FY2022, FY2023, HY2023 and HY2024 as discussed in the section headed "1. Background and financial information of the Group" above in this letter; (ii) the Industrial Products Segment was the only segment of the Group that generated net profit for FY2022, FY2023, HY2023 and HY2024; (iii) the development trend and prospects of automotives manufacturing in Saudi Arabia as promoted by the Saudi Arabia government to diversify the country's economy; and (iv) the promotion of the home ownership in the country by the Saudi Arabia government will boast the real estate development, which will in turn increase the demand of fixtures and fittings products in Saudi Arabia, we consider the Acquisition would further enhance the return to the Shareholders and is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the SPA

The principal terms of the SPA are set out as follows:

Date

22 July 2023 (after trading hours)

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 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 18.0% discount to the Valuation of HK$122 million as at 30 April 2024 based on the Valuation Report prepared by the Independent Valuer using market approach, which will be further discussed in section headed "6. Our assessment on the Consideration" below in this letter; (b) to avoid creation of odd lots on the Consideration Share Issue; and (c) after considering the reasons for and benefits of the Acquisition as discussed in the section headed "4. Reasons for and benefits of the Acquisition" above in this letter.

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 Precedent

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 Purchase 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 paragraphs (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).

As at the Latest Practicable Date, none of the above conditions has been waived or fulfilled.

Completion

The Completion shall take place on the Completion Date. Upon Completion, the Target Company will remain an indirect 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.

6. Our assessment on the Consideration

(a) Valuation of the Target Company

As disclosed in the Letter from the Board, the Consideration was determined, among other things, after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to the Valuation of HK$122 million as at 30 April 2024 based on the Valuation Report prepared by the Independent Valuer using market approach.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's background and qualification in relation to the preparation of the Valuation; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuation of the Target Company. From the information provided by the Independent Valuer and based on our discussion with them, we understand that the two project heads, who are responsible for the valuation of the Target Company, have over 20 years and 10 years in providing valuation and related advisory services to listed and listing companies. Furthermore, the Independent Valuer provides a wide range of valuation services covering various assets classes, including real estate, plant and machinery, equity securities, financial instruments, intangible assets, mineral and petroleum assets, biological assets and other current assets and liabilities. The Independent Valuer has been operating for over 30 years and currently has a team of over 300 professionals. Therefore, we were satisfied with the Independent Valuer's qualification for preparation of the valuation of the Target Company.

In assessing the fairness and reasonableness of the Consideration, we have reviewed the Valuation Report and upon our further discussion with the Independent Valuer, we understand that the Independent Valuer has adopted market approach in arriving the appraised value of the Target Company after considering the following reasons as stated in the Valuation Report:

(1) Market approach

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

(2) Cost approach

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

(3) Income approach

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

To select the most appropriate approach, the Independent Valuer has considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to the Independent Valuer to perform an analysis. The Independent Valuer has also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Target Company. The cost approach is considered inappropriate for valuing the Target Company, as it does not directly incorporate information about the economic benefits contributed by the Target Company. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained. Therefore, the Independent Valuer adopted the market approach.

We have also reviewed the appraisal assumptions in the Valuation Report as set out in Appendix I of the Circular and confirm that the assumptions are fair and reasonable and appropriate for valuation of the Target Company.

We have inquired the Independent Valuer on the applicability of the abovementioned assumptions and we understand that such assumptions are generally and consistently adopted in other valuation exercises and are in line with the market practices. We have inquired the valuation methodology and the principal basis and assumptions adopted in arriving at the appraised value of the Target Company and the following is the summary of our discussion with the Independent Valuer:

(i) the final Valuation has been adjusted downwards to HK$122 million as compared with the preliminary valuation of HK$128 million as the source of market data and research in determining the valuation parameters that were used in the Valuation Report has been updated. From our review of the underlying calculation of the Valuation, we note that the updated market data from the source include those of the financial information of the comparable companies and the discount rate for the lack of marketability of the Target Company. We are of the view that the discount rate for the lack of marketability under wholesale trade industry of 18.30% adopted in the Valuation Report is appropriate based on the business nature of the Target Group and with reference to the 2023 edition of the Stout Restricted Stock Study Companion Guide (https://www.bvresources.com/docs/default-source/free-downloads/rss-companion.pdf?sfvrsn=b0ebc8b2_22) published by Stout Risius Ross, LLC, a global advisory firm specializing in corporate finance, accounting and transaction advisory, valuation, financial disputes, claims and investigations;

(ii) the use of the price-to-book value ratio based on the net asset value of the Target Company for the Valuation may not accurately reflect the value and potential of the Target Group's business and operations as substantial capital investment is typically not required for the sale of industrial products by the Target Group. We have reviewed the financial information of the Target Group and agree with the Independent Valuer as the Target Company had minimal non-current assets, which represent less than 1% of the total assets in the unaudited consolidated balance sheet of the Target Group as at 31 March 2024;

(iii) after reviewing the financial information of the Target Group, we agree with the Independent Valuer that the use of weighted average of EV/EBITDA is appropriate for the Valuation as it could reasonably reflect the earnings capability of the Target Group, which the financial impact of the shipping crisis during the three months ended 31 March 2024 has been considered in the Valuation as discussed in the section headed "3. Background of the Target Group" above in this letter, and the weighted average of EV/EBITDA can be calculated based on the revenue percentage contributed by the trading of auto parts and construction and building products of the Target Group for FY2023;

(iv) the Independent Valuer has attempted but failed to identify any comparable companies primarily operating in Saudi Arabia, therefore, the selection criteria of geographic locations were relaxed to Asia countries. A country risk premium was added to the adjustment of the EV/EBITDA of each comparable companies to reflect the different business risk in different countries (if applicable). After reviewing the basis of the country risk premium used in the Valuation, we consider the relaxed selection criteria and the application of country risk premium is an appropriate alternative for the Valuation; and

(v) we agree with the Independent Valuer that the control premium is not applicable in this case as the Target Company will remain as the subsidiary of the Company before and after the Acquisition.

After our discussion with the Independent Valuer as summarised above, we have not identified any other major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the appraised value of the Target Company.

We have reviewed the underlying calculation of the valuation of the Target Company. Under market approach, the Independent Valuer adopted the guideline public companies method in conducting the valuation of the Target Company. We understand that the comparable companies were selected based on the two types of products, which were automotive parts and fixtures and fittings products, provided by the Target Company. The Independent Valuer also selected the comparable companies of which the primary geographic locations were in Asia and net operating profits after tax were positive. In this regard, we have performed the desktop research on the background and business nature of the comparable companies and cross-checked the selection criteria adopted by the Independent Valuer as set out in the Valuation Report. After considering the factors as discussed with the Independent Valuer as mentioned above and reviewing the background and business nature of the comparable companies, we consider the above selection criteria are appropriate and the comparable companies in the Valuation Report are relevant to the Target Company. Details of the comparable companies and the summary of the quantitative inputs used in the Valuation, as extracted from the underlying calculation that we have reviewed, are set out in the Valuation Report in Appendix I to the Circular.

Based on our review of the Valuation Report and discussion with the Independent Valuer regarding, among others, (i) the scope of work and experiences of the Independent Valuer; (ii) the reasons and appropriateness of adopting the market approach for the valuation of the Target Company; (iii) the basis, assumptions and methodology adopted in the Valuation Report; and (iv) the valuation work performed by the Independent Valuer, we consider that the valuation performed by the Independent Valuer as well as the basis, assumptions and methodology adopted in the Valuation Report are appropriate.

(b) The Issue Price

As disclosed in the Letter from the Board, the Consideration Shares will be issued at the Issue Price of HK$0.5 per Share, which represents:

(i) a premium of approximately 92.3% over the closing price of HK$0.260 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) 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;

(iii) 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;

(iv) 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;

(v) a premium of approximately 62.9% over the average closing price of approximately HK$0.307 per Share as quoted on the Stock Exchange for the 30 consecutive trading days of the Shares immediately prior to the date of the SPA;

(vi) a premium of approximately 24.4% over the average closing price of approximately HK$0.402 per Share as quoted on the Stock Exchange for the 180 consecutive trading days of the Shares immediately prior to the date of the SPA; and

(vii) the issue price (the "**GM Issue Price**") of HK$0.500 per Share of an issue of new Shares under general mandate pursuant to the subscription agreement entered into by the Company dated 29 May 2024, the same of which was completed on 19 June 2024.

According to the Letter from the Board, 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 Share and the GM Issue Price which represents the most recent Share issue price to an independent third party to the Company.

Historical Share price performance

In order to assess the fairness and reasonableness of the Issue Price, we have reviewed the chart that illustrate the historical daily closing prices of the Shares as quoted on the Stock Exchange during the period commencing from 24 July 2023 up to and including the date of the SPA (the "**Review Period**"). We consider that the Review Period is adequate as it represents a reasonable period to reflect a general overview of the historical price movement of the Shares that covers a full year including the release of the interim results for the six months ended 30 June 2023 and the annual results for FY2023, and avoids any short-term fluctuation of the Share price, which may distort our analysis. The following chart sets out the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period:

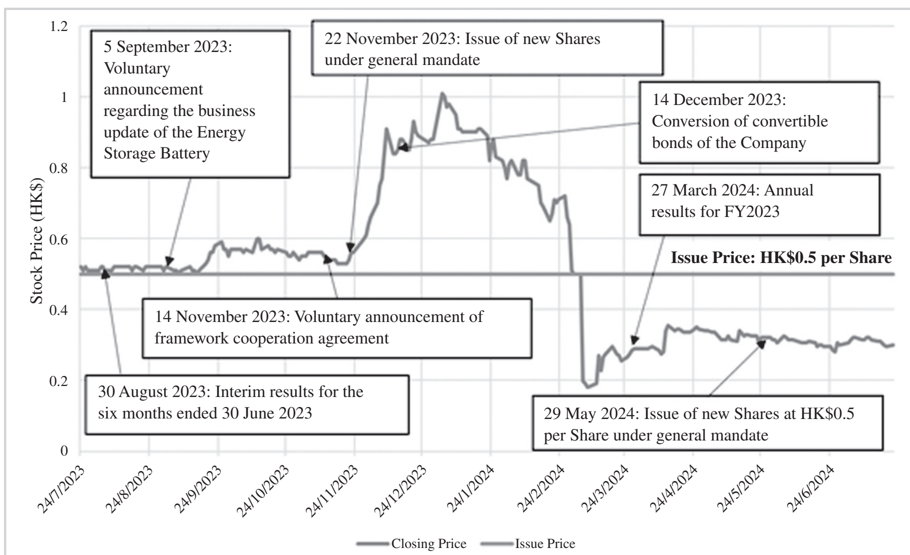

Chart 1: Historical Share price performance of the Company during the Review Period

Source: Website of the Stock Exchange (www.hkex.com.hk)

As shown in the above Chart 1, the closing prices of the Shares remained stable over the period from the start of the Review Period to mid-November 2023 and the closing prices of the Shares started to rise at the end of November 2023 and reached the highest price level of HK$1.01 per Share on 2 January 2024. After that, the closing prices of the Shares continued to drop and reached the lowest closing price of HK$0.18 per Share on 7 March 2024. The closing prices of the Shares slightly rebounded afterwards and remained relatively stable between the range of HK$0.275 per Share and HK$0.355 per Share from the first trading day of April 2024 to the date of the SPA. As advised by the Directors, they are not aware of any specific reason for the aforesaid price fluctuation of the closing prices of the Shares during the Review Period.

Although the Issue Price of HK$0.5 per Share represents a high premium over the recent closing prices of the Shares in the last three months from the date of the SPA, after considering that the Issue Price (i) is within the range of the closing prices of the Shares over the Review Period; and (ii) represents a slight discount of approximately 3.8% to the average closing price of the Shares of HK$0.520 per Share during the Review Period, the Issue Price is considered favourable to the Company and the Shareholders.

Comparable transactions analysis

As part of our analysis for the Issue Price, we further identified acquisition transactions based on following selection criteria: (i) acquisition transactions that involved issue of new shares to settle the consideration; (ii) no call option, put option or issue of convertible securities were included in the acquisition transactions; (iii) the new shares were allotted and issued under specific mandate, excluding those issues involving the triggering of general offer obligations or applications for whitewash waiver or corporate restructuring; and (iv) such transactions were entered into, and announced by companies listed on the Stock Exchange during the Review Period and are not lapsed or terminated as at the Latest Practicable Date. In this connection, to the best of our endeavours, we have conducted an exhaustive search on the website of the Stock Exchange and identified a total of 9 comparable transactions (the "**Comparable Transactions**"). We consider the above search criteria to be generally relevant to the terms of the Acquisition and the sample size is reasonably sufficient, therefore the Comparable Transactions are fair and representative for the purpose of our analysis. We also consider that the Review Period is a reasonable timeframe (i) to reflect the prevailing market conditions and sentiment in the Hong Kong stock market for the Acquisition; and (ii) to provide a general reference of the recent consideration issue of acquisition transactions being conducted under similar market conditions.

Set out below is a summary of the Comparable Transactions:

	Announcement date	Company name	Stock code	Issue price (HK$)	Premium/(discount) of the issue price over/to the closing price per share on the last trading day/date of the agreement	Premium/(discount) of the issue price over/to the average closing price per share for the five trading days prior to the last trading day/date of the agreement
1	7 July 2024	China Health Group Limited	673	0.8	(14.90)%	(16.00)%
2	27 June 2024	Newborn Town Inc.	9911	4.5	3.21%	1.08%
3	9 April 2024	XD Inc.	2400	14.2	0.00%	(0.36)%
4	29 February 2024	Pak Tak International Limited	2668	0.336	(4.00)%	3.07%
5	16 October 2023	Gome Finance Technology Co., Ltd. *(Note 1)*	628	0.08	0.00%	(2.68)%
6	14 October 2023	Tongguan Gold Group Limited	340	0.8	81.80%	86.00%
7	19 September 2023	Alibaba Pictures Group Limited	1060	0.52	(5.50)%	1.17%
8	4 September 2023	Anchorstone Holdings Limited	1592	0.085	66.67%	42.14%
9	23 August 2023	Asia Resources Holdings Limited	899	0.23	0.00%	2.40%
				Maximum	**81.80%**	**86.00%**
				Minimum	**(14.90)%**	**(16.00)%**
				Average	**14.14%**	**12.98%**
	22 July 2024	**The Company**	**2399**	**0.5**	**66.7%**	**64.5%**

Note:

1. Gome Finance Technology Co., Ltd. entered into two acquisition agreements with two parties that are related to each other on the same day with the same issue price of HK$0.08 per share. In this regard, we count the two acquisitions as one sample in our analysis.

As shown in the above table, we note that:

(i) the premium/(discount) of the issue prices over/to the closing prices per share on the last trading day/date of the agreement of the Comparable Transactions ranged from discount of 14.90% to premium of 81.80%, with an average of premium of 14.14%; and

(ii) the premium/(discount) of the issue prices over/to the average closing prices per share for the five trading days prior to the last trading day/date of the agreement of the Comparable Transactions ranged from discount of 16.00% to premium of 86.00%, with an average of premium of 12.98%.

As the premium of the Issue Price over the closing price of the Share as at the date of the SPA and the average closing price of the Share for the five consecutive trading days immediately prior to the date of the SPA is within the range of the premium and discount of the issue prices of the Comparable Transactions and more favourable than the average premium of the issue prices of the Comparable Transactions as mentioned above, we consider the Issue Price is fair and reasonable.

7. Effect of shareholding structure of the Company

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon Completion and the allotment and issue of the Consideration Shares (assuming there will be no change in the share capital of the Company prior to the Completion):

	As at the Latest Practicable Date		Immediately upon the allotment and issue of Consideration Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Ms. Wang Xiu Hua *(Note 1)*	503,344,000	19.0	530,344,000	17.7
Equal Plus Limited *(Note 2)*	190,102,000	6.8	190,102,000	6.4
Everkept Limited *(Note 3)*	76,547,000	2.8	76,547,000	2.6
Mr. Lu Ke *(Note 4)*	103,090,000	3.7	103,090,000	3.4
The Vendor	—	—	200,000,000	6.7
Other public Shareholders	1,887,306,000	67.7	1,887,306,000	63.2
	2,787,389,000	100	2,987,389,000	100

Notes:

1. Ms. Wang Xiu Hua is the mother of Mr. Wang Yan, a non-executive Director and the direct beneficial owner of 530,344,000 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, an executive Director, 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.

As shown in the above table, assuming there are no other changes to the total number of Shares from the Latest Practicable Date to the date of allotment and issue of the Consideration Shares, the shareholding of the public Shareholders will be diluted from approximately 67.7% to 63.2% of the issued share capital of the Company immediately upon the Completion. After considering (i) the reasons for and benefits of the Acquisition as discussed in the section headed "4. Reasons for and benefits of the Acquisition" above in this letter; and (ii) the valuation of the Target Company and the Issue Price are fair and reasonable as discussed in the section headed "6. Our assessment on the Consideration" above in this letter, we consider the dilution effect on the shareholding interests of the existing public Shareholders resulting from the Consideration Shares Issue is acceptable.

8. Possible financial effects of the Acquisition

Upon Completion, the Target Company will be owned as to 80% by the Purchaser, and accordingly, the Target Company will continue to be an indirect 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.

(a) Net asset value

The financial results of the Target Group are currently consolidated in the Group before Completion with the Company's indirect interest of only 51%. Upon Completion, the Company's indirect interest in Target Group will increase from 51% to 80%.

As advised by the management of the Company, the equity attributable to equity owners of the Company is expected to increase by approximately HK$44.66 million upon Completion, based on 29% interests of the net asset value of the Target Group as at 31 March 2024.

As a result of the allotment and issue of the Consideration Shares, the share capital of the Company will also be increased upon Completion.

(b) Earnings

Upon Completion, the Company's indirect interest in Target Group will increase from 51% to 80%. Considering the Target Group recorded net profit for the latest two financial years, the Acquisition is expected to bring additional income stream and positive effect on earnings upon Completion; accordingly, profit attributable to the equity owners of the Company is expected to increase upon Completion.

(c) Working capital

According to the Letter from the Board, none of the Consideration will be settled in cash. Accordingly, the Company considers that working capital of the Group will not be affected after the allotment and issue of Consideration Shares.

The actual financial effect of the Acquisition to the Group upon Completion will only be ascertained based on the financial position of the Target Company on the Completion Date and is subject to the final audit to be performed by the auditors of the Company.

Based on the aforementioned financial effects of the Acquisition on the Company, in particular, the positive impact on the profit contribution attributable to the equity owners of the Company with increase in the equity attributable to equity owners of the Company, we are of the opinion that the Acquisition is in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that (i) the principal terms of the SPA; (ii) the valuation of the Target Company by the Independent Valuer; (iii) the Issue Price; and (iv) the reasons for and benefits of the Acquisition, we are of the view that although the Acquisition is not in the ordinary and usual course of business of the Company, the terms are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the SPA and the transactions contemplated thereunder and the grant of the Specific Mandate to allot and issue the Consideration Shares.

Yours faithfully,
For and on behalf of
INCU CORPORATE FINANCE LIMITED

Gina Leung	**Psyche So**
Managing Director	*Associate Director*

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

Ms. Psyche So is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over seven years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

JLL SEE A BRIGHTER WAY

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
Tel +852 2846 5000 Fax +852 2169 6001
Company Licence No.: C-030171

6 September 2024

The Board of Directors
China Anchu Energy Storage Group Limited
Suite 708A, 7/F,
Champion Tower, 3 Garden Road, Central,
Hong Kong.

Dear Sirs,

In accordance with the instructions from China Anchu Energy Storage Group Limited (the "**Company**" or the "**Client**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") have undertaken a valuation exercise which requires us to express an independent opinion on the market value of 29% equity interest (the "**Subject**") of Rosy Estate Global Limited with its subsidiaries (the "**Target Group**") as at 30 April 2024 (the "**Valuation Date**"). The report which follows is dated 6 September 2024 (the "**Report Date**"). The purpose of this valuation is for the Client's internal reference and inclusion in the Client's public disclosure.

Our valuation was carried out on a market value basis. Market value is defined as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

BACKGROUND OF THE COMPANY

China Anchu Energy Storage Group Limited is principally engaged in the sales of its branded menswear apparel, automotive, motorcycle and other industrial products and energy storage battery through its indirectly owned subsidiaries. The Company distributes products both in the domestic and overseas markets. The Company was incorporated in Cayman Islands with limited liabilities and has been listed in the main board of The Stock Exchange of Hong Kong Limited since 16 July 2014 with stock code: 2399.HK.

BACKGROUND OF THE SUBJECT

Rosy Estate Global Limited (the "**Target Company**") is a private company incorporated in the British Virgin Islands on 8 June 2021 with limited liability. The Target Company through its major subsidiary, Oriental Starway Limited, is mainly engaged in trading the automotive parts and fixtures and fittings products to customers located in the Kingdom of Saudi Arabia.

Key financial information of the Target Group for the 3-month period ended 31 March 2024 and 31 March 2023, and the financial year ended 31 December 2023 respectively is set out as below (unit: HK$'000):

	3-months ended 2024/03/31 (Unaudited)	**Financial year ended 2023/12/31** (Unaudited)	**3-months ended 2023/03/31** (Unaudited)
Revenue	64,147	573,790	158,893
Normalised EBITDA*	10,357	129,584	29,591
Net Profit	8,648	109,826	24,708
Net Assets	154,208	155,418	70,300

* *The normalised EBITDA is the EBITDA excluding the bank interests income.*

Per the management of the Target Company, the breakdown of revenue of the Target Group for financial year ended on 31 December 2023 in terms of products is shown as below:

	Automotive Parts	**Fixtures and Fittings Products**
Revenue Percentage	51.5%	48.5%

SOURCES OF INFORMATION

In conducting our valuation of the 29% equity interest in the Target Group, we have reviewed information from several sources, including, but not limited to:

- Background of the Target Group and relevant corporate information;
- Unaudited financial statements, which contain the financial and operational information, of the Target Group for the 3-month period ended 31 March 2024 and 31 March 2023, and the financial years ended 31 December 2023; and
- Market information derived from public domains in relation to the Target Group's business and our valuation.

We have held discussions with management of the Company, and conducted market research from public sources to assess the reasonableness and fairness of the above information provided by the management. We assumed such information is reliable and legitimate; and we have relied to a considerable extent on the information provided by the Company in arriving at our opinion of value.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Group, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

BASIS OF OPINION

We have conducted our valuation with reference to the International Valuation Standards issued by International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of the key assumptions, estimates, and representations made by the proprietor or the operator of the Target Group. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Group;
- Market information of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income;
- Consideration and analysis on the micro and macro economy affecting the Target Group's business; and
- Assessment of the liquidity of the Target Group's business.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Subject.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

SELECTION OF VALUATION APPROACH AND METHODOLOGY

To select the most appropriate approach, we have considered the purpose of the valuation engagement and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of the Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions and subjective judgements, not all of which can be easily quantified or ascertained.

In view of the above, we have adopted the market approach for this Valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for fewer subjective assumptions. It also introduces objectivity in application as publicly available inputs are used. We have therefore relied on the market approach in determining our opinion of value.

There are two common methods under market approach, namely, guideline public companies method and guideline transactions method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transactions method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Subject's financial metrics.

The guideline transactions method is not adopted due to lack of sufficient recent market transactions with similar nature as the Subject. The guideline public companies method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple.

The Target Group mainly engaged in trading automotive parts and fixtures & fittings products. There are several publicly listed companies mainly engaged in trading and distributing the automotive parts or fixtures & fittings products respectively. In this valuation, a weighted average of the benchmark multiples of the automotive parts companies and the fixtures & fittings products companies is applied to the Subject.

SELECTION OF VALUATION PRICE MULTIPLES

In this valuation, we have considered the following commonly used benchmark multiples:

- Price-to-earnings multiple ("**P/E Multiple**"): This multiple is computed by dividing the share price by earnings per share. It is commonly used as investors want to assess the profitability of a company. However, it has limitations as it cannot be used for valuing loss-making companies and does not address differences in accounting policies and capital structures.

- Price-to-book multiple ("**P/B Multiple**"): This multiple is computed by dividing the share price by the book value per share. It is often used in asset-intensive industries. However, since it only considers tangible assets, it does not capture intangible assets, company-specific competencies, and advantages.

- Price-to-sales multiple ("**P/S Multiple**"): This multiple is estimated by dividing the share price by sales per share. It is commonly used for valuing early-stage or loss-making companies. However, it overlooks the cost structure and profitability of a company. A firm's enterprise value is equal to its equity value plus its debt less any cash.

- Enterprise value to earning before interest and tax multiple ("**EV/EBIT Multiple**"): This multiple compares a firm's enterprise value to its earnings before interest and taxes. It allows for direct comparison of firms regardless of their capital structure. It is considered less affected by differences in capital structure compared to the P/E Multiple. However, it does not adjust for depreciation and amortization expenses.

- Enterprise value-to-earnings before interest, tax depreciation and amortisation multiple ("**EV/EBITDA Multiple**"): This multiple is similar to the EV/EBIT Multiple but adds back depreciation and amortisation expenses. It is commonly used for capital-intensive businesses where depreciation expense is significant.

- Enterprise value-to-sales multiple ("**EV/Sales Multiple**"): Similar to other enterprise value multiples, this multiple is less affected by differences in accounting treatment. It takes into account a company's debt load, providing an advantage over the P/S Multiple.

It was noted that as at the Valuation Date, the Target Group had certain payables to its shareholders and fellow companies amounting to approximately HK$72 million. It was considered that such payables are debt in nature. The use of an EV multiple allowed us to factor in this amount more precisely in the Valuation. Moreover, we noticed that the levels of depreciation and amortisation relative to revenue were different for the Target Group and the comparable companies. Given that EBITDA is a financial measure that shows how well a company performed through its core operations regardless of the difference in accounting treatments of the depreciation and amortization and enterprise value is capital structure neutral, it is considered that the EV/EBITDA Multiple is the most appropriate multiple and hence it is being adopted in this valuation.

The EV/EBITDA Multiple is defined in this practice as the current enterprise value to the normalised earnings before interest, tax, depreciation and amortisation of the Target Group from 31 March 2023 to 31 March 2024. EV/EBITDA is a capital structure neutral ratio since it takes into account the debt and earnings before interest expenses. It allows us to compare the Target Group against the comparable companies without considering how each comparable company finances its operations.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following assumptions in determining the market value of the equity interest of the Target Group have been made:

- We have assumed the principal businesses of the Target Group will not change significantly in the foreseeable future; the Target Group have obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;

- We have assumed that the Target Group will continue to operate as a going concern with adequate operation facilities and business systems in place or proposed (if any) that are in line with the industry. Without this assumption, the market approach may not be appropriate for this valuation;

- We have assumed that the core operation of the Target Group will not differ materially from those of present or expected otherwise the selection criteria of the comparable companies would have been different from this valuation;

- We have assumed that there will be no material changes in the existing political, legal, technological, natural, fiscal or economic conditions, which might adversely affect the business of the Target Group such as changes in relevant government policies and regulations related to transportation, emissions, and safety standards, changes in vehicle technology, and economic growth or recession affecting consumer spending patterns and travel demand;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements entered into between the Target Group and any other parties, including but not limited to loan contracts, business contracts and other contracts that will affect the business of the Target Group, will be honored;

- We have assumed continuous prudent management of the Target Group that is reasonable and necessary to maintain the character and integrity of the assets valued; and

- We have assumed that there are no hidden or unexpected conditions (such as natural disaster, war, government intervention, major change in management, etc.) associated with the asset valued that might adversely affect the reported value.

SUMMARY OF MARKET APPROACH

The Company mainly traded two types of products, i.e. automotive parts and fixtures and fittings products. In determining the financial multiple, two lists of comparable companies (''**Automotive Parts**'' and ''**Fixtures & Fittings Products**'') were identified and the combined multiples from these two lists were calculated. The selection criteria are set as below:

1. The shares of the comparable companies have been listed and actively traded in ''All major exchanges'' (as classified by Capital IQ) for no less than six months;

2. For Automotive Parts, the comparable companies mainly engage in trading and distribution of automotive parts, as classified by Capital IQ or based on the business description provided by Capital IQ or their websites. Revenue generated from the relevant business was over 75% of their total revenue for the latest financial year;

3. For Fixtures & Fittings Products, the comparable companies mainly engage in trading and distribution of fixtures and fittings products, as classified by Capital IQ or based on the business description provided by Capital IQ or their website. Revenue generated from the relevant business was over 75% of their total revenue for the latest financial year;

4. The comparable companies' primary geographic locations were in Asia* according to the Capital IQ;

5. The comparable companies recorded positive net operating profit after tax (''**NOPAT**'') in their latest financial year; and

6. Sufficient operational and financial data, including the EV/EBITDA Ratio, on the comparable companies are available as at the Valuation Date.

* *Based on our selection criteria, we could not identify any companies primarily operating in Saudi Arabia in our analysis. Hence, we expanded the search to include companies in Asia. Adjustments for the differences in location between the comparable companies and the Target Group were adopted and discussed in the sections (pages I-15 to I-17) below.*

As sourced from Capital IQ, the respective exhaustive lists of comparable companies satisfying the above criteria for Automotive Parts and Fixtures & Fittings Products were obtained.

Automotive Parts

The details of the comparable companies for Automotive Parts are listed below:

Ticker	Company Name	Country/ Region	Company Description
TSE:8117	Central Automotive Products Ltd.	Japan	Central Automotive Products Ltd. engages in the import, export, and wholesale of automotive parts and accessories. The company operates in two segments, Automobile Parts/Supplies Sales Business and Automobile Disposal Business. It offers engine parts, and filter and cooling parts; chassis parts, and brake and clutch parts; electrical parts; chemical parts; air conditioning component parts; and shock absorbers, ignition coils, CV joints, clutches, and engine oils.
TSE:7466	SPK Corporation	Japan	SPK Corporation, together with its subsidiaries, engages in the trading of automotive spare parts and accessories, and industrial vehicle parts in Japan and internationally.
TSE:7551	Weds Co., Ltd.	Japan	Weds Co., Ltd., together with its subsidiaries, engages in the planning and development, and sale of automobile parts and accessories in Japan. It is also involved in centering on aluminum and steel wheel services for automobiles.
SGX:BPF	YHI International Limited	Singapore	YHI International Limited, an investment holding company, together with its subsidiaries, distributes automotive and industrial products in Singapore, Malaysia, China, Hong Kong, Taiwan, Australia, New Zealand, and internationally.

Ticker	Company Name	Country/ Region	Company Description
BSE:590065	India Motor Parts & Accessories Limited	India	India Motor Parts & Accessories Limited sells and distributes automobile spare parts and accessories in India. The company offers oil seals, gaskets, hydraulic brake parts and brake fluid, clutch cover assembly and clutch driven plate, car fuel system components, fuel injection parts, crown wheel pinion, differential and transmission gears, auto cables, fan belts, radiators, shock absorbers, struts, engine bearings, filters, and PCVL rings, AC delco products, brake drums, head and tail lamps, axles shafts, and auto electrical components.
SGX:BFU	Tye Soon Limited	Singapore	Tye Soon Limited, together with its subsidiaries, imports, exports, and distributes automotive spare parts in Singapore, Malaysia, Australia, Thailand, Indonesia, Hong Kong/China, South Korea, and internationally. The company offers electrical and aircon parts, transmission products, chassis and body parts, engine parts, and brake parts, as well as genuine parts.
NSEI:JMA	Jullundur Motor Agency (Delhi) Limited	India	Jullundur Motor Agency (Delhi) Limited trades and distributes automobile parts, accessories, and petroleum products primarily in India. The company offers diesel exhaust fluids; fly wheel ring gears; engine and cylinder head gaskets, and seal kits; radiator assy, surge tanks, condensers, evaporators, and inter coolers; engine thin valve bearings, and bushes and thrust washers; brakes and clutch master cylinders, slave and wheel cylinders, and brake parts and repair kits; and turbo energy chargers.

Ticker	Company Name	Country/ Region	Company Description
SGX:S29	Stamford Tyres Corporation Limited	Singapore	Stamford Tyres Corporation Limited, an investment holding company, engages in the wholesale and retail of tires and wheels in South East Asia, North Asia, Africa, and internationally. The company provides tires for high performance cars, passenger cars, SUVs, light trucks, and truck radials; and radials for sports and passenger cars, light trucks, trucks, and buses, as well as for military, agriculture, and industrial solid tires.
TSE:7477	Muraki Corporation	Japan	Muraki Corporation engages in the wholesale of car care, and automobile repair parts and related products in Japan. The company provides aftermarket parts, including oil and air elements, radiator valves, wiper blades, batteries, and brake pads; and auto chemical products, such as battery refill liquid, windshield washer liquid, oil related chemicals, air conditioner related chemicals, body waxes, body cleaners, and air fresheners.
SET:SCL	S.C.L Motor Part Public Company Limited	Thailand	S.C.L Motor Part Public Company Limited distributes motor parts in Thailand. It offers engine maintenance products, such as grease; engine parts, including filters; transmission parts brake and clutch parts comprising brake systems; suspension parts; shock absorber and spring coils consisting of car shock absorbers; body parts; electrical systems; air systems; and decoration accessories.

The key financial data of the comparable companies for Automotive Parts as of the Valuation Date are shown as below:

Ticker	Market Capitalization *(Million USD)*	Total Enterprise Value *(Million USD)*	LTM* EBITDA *(Million USD)*	LTM* NOPAT *(Million USD)*
TSE:8117	675	563	76	47
TSE:7466	132	119	25	15
TSE:7551	67	51	16	9
SGX:BPF	104	104	20	6
BSE:590065	149	142	7	5
SGX:BFU	21	70	12	6
NSEI:JMA	27	26	4	3
SGX:S29	32	66	12	5
TSE:7477	13	5	1	1
SET:SCL	9	20	2	1

* *LTM: refers to the last twelve months from the latest date of financial reports of the comparable companies*

Fixtures & Fittings Products

The details of the comparable companies for Fixtures & Fittings Products are listed below:

Ticker	Company Name	Country/ Region	Company Description
SGX:5VS	Hafary Holdings Limited	Singapore	Hafary Holdings Limited, an investment holding company, imports, exports, deals, distributes, wholesales, and trades in building materials in Singapore, the Socialist Republic of Vietnam, Malaysia, the People's Republic of China, Republic of the Union of Myanmar, Cambodia, the United States, Taiwan, Japan, Australia, Hong Kong, Thailand, the Philippines, the United Arab Emirates, and internationally. The company offers ceramic tiles; marble, quartz, granite, limestone, sandstone, stone mosaic, and composite stone products; mosaic and quartz top products; sanitary ware; fittings; and hardwood, engineered timber, and laminate and vinyl flooring products.

Ticker	Company Name	Country/ Region	Company Description
TSE:7461	Kimura Co., Ltd.	Japan	Kimura Co.,Ltd. engages in the wholesale of housing materials. The company offers heat exchanger ventilation; underfloor heating and cooling; infrared heating; emergency power distribution; wall-mounted storage shelf; and floor central ventilation systems. It also provides interior and exterior materials; moisture proof sheets; wood doors and windows; tent houses; roof and floor materials; decorative beams; kitchen and washstand products; pine panel wax coating; wooden floor products; thermal insulation products; and air conditioner stands. In addition, the company is involved in the home center management and housing scaffolding leasing businesses.
TSE:7425	Hatsuho Shouji Co., Ltd.	Japan	Hatsuho Shouji Co.,Ltd. operates as a interior and exterior building materials company in Japan. It sells construction hardware and steel base materials, and non-combustible materials; and interior and exterior building materials.
TSE:7635	Sugita Ace Co.,Ltd.	Japan	Sugita Ace Co.,Ltd., together with its subsidiaries, engages in the wholesale of building hardware and general building-related materials to hardware stores, building material trading companies, and metal contractors in Japan.

Ticker	Company Name	Country/ Region	Company Description
TSE:8077	TORQ Inc.	Japan	TORQ Inc. is involved in the import, export, and sale of rivets and fastening products in Japan. It offers a range of screw products, including small screws and high-tension bolts, stick and other inserts, spacers, PC nuts, coupler washers, flange hardware, connecting plates, and lifting jigs, as well as hardware for manholes; construction and civil engineering, and building related products, such as material handling and transportation, civil engineering and construction, and hydraulic equipment, as well as welding/fusing instruments, work/ measuring tools, safety and disaster prevention goods, air electric tools, plumbing fixtures, and cutting and grinding tools; machine and industrial screws, and fasteners; and stainless steel and special steel products, including brass, copper, titanium, and hastelloy.
NSEI:HINDWAREAP	Hindware Home Innovation Limited	India	Hindware Home Innovation Limited engages in the consumer appliances, retail, and building products business in India. It offers kitchen appliances comprising chimneys, cooking range, food waste disposers, built-in microwaves, food sanitizers, built-in ovens, built-in hobs, cooktops, dishwashers, water purifiers and kitchen sinks; storage, instant, gas, heat pump water heaters; desert, personal, tower, window, IOT enabled, and foldable air coolers; room heaters; water purifiers under the moonbow brand; ceiling fans; and hinges, ball bearing and excel bottom mounted drawer channels, Uniplus and Unilux drawer systems, and aerolift liftups.

Ticker	Company Name	Country/ Region	Company Description
SEHK:599	E. Bon Holdings Limited	Hong Kong	E. Bon Holdings Limited, an investment holding company, engages in the importing, wholesale, retail and installation of architectural builders' hardware, bathroom, kitchen collections, and furniture in the Hong Kong and the People's Republic of China.
TSE:3024	Create Corporation	Japan	Create Corporation, together with its subsidiaries, engages in the wholesale of plumbing materials under the TORO brand in Japan. It operates through Plumbing Equipment and Construction Related segments. The company offers plumbing fittings and water taps, water supply pipe equipment, and drainage pipe equipment; and housing equipment, such as air-conditioners. It is also involved in the import of iron castings; sale of drainage pipe fittings and drainage implements; construction and package of drainage implements; processing and production of resinous plumbing systems; construction; and interior finishing works.

The key financial data of the comparable companies for Fixtures & Fittings Products are shown as below:

Ticker	Market Capitalization *(Million USD)*	Total Enterprise Value *(Million USD)*	LTM* EBITDA *(Million USD)*	LTM* NOPAT *(Million USD)*
SGX:5VS	117	310	48	30
TSE:7461	52	67	17	8
TSE:7425	40	16	10	6
TSE:7635	44	49	10	4
TSE:8077	38	104	8	3
NSEI:HINDWAREAP	312	440	32	11
SEHK:599	15	16	5	2
TSE:3024	21	33	3	1

* *LTM: refers to the last twelve months from the latest date of financial reports of the comparable companies*

As the businesses of the comparable companies are located in different regions, they are thus exposed to different macroeconomic and market risks. Moreover, the comparable companies are often of significantly different size from the Target Group. Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. Therefore, the base multiples were adjusted to reflect the differences in size and location between the comparable companies and Target Group, as below:

We referred to a formula in a widely-adopted textbook "Financial Valuation — Applications and Model, 2017" by James R. Hitchner, a renowned valuation expert in the US, for the pricing multiple adjustments.

The adjusted EV/EBITDA multiples were calculated using the following formula:

Adjusted EV/EBITDA multiple = $1/((1/M) + \alpha * \varepsilon * \theta)$

where:

M = The Base EV/EBITDA multiple

α = The scale factor, which converts the base measure of the benefits to an alternative measure of benefits for the comparable companies

ε = The ratio of the equity value to the enterprise value of the comparable company

θ = Required adjustment in the equity discount rate for difference in size and regions

(Reference: Hitchner, R. (2017) Financial Valuation: Applications and Models (4th Edition))

M is the base EV/EBITDA ratio and we take the reciprocal of M to come up with 1/M. The logic behind the pricing multiple adjustments is that the reciprocal of the base multiple represents a capitalization rate. In this valuation, the reciprocal of the base EV/EBITDA multiple represents a capitalization rate of the enterprise value.

For the parameter θ, it was used as a desired adjustment to reflect the difference in natures between the comparable companies and the Target Group. With reference to Cost of Capital Navigator 2024 published by Kroll, depending on the market capitalization of each of the Comparable Companies, size premium differentials were adopted to capture the size difference between the comparable companies and the Target Group. In addition, the country risk premium differentials were adopted with reference to the Country Default Spreads and Risk Premiums study issued and last updated by Aswath Damodaran in January 2024.

The ratio of the market capitalization to enterprise value ε was adopted as a weighting factor. As aforesaid, the logic behind this formula is that a pricing multiple is the reciprocal of the capitalization rate. In the case of an enterprise value multiple, the capitalization rate is driven by the weighted average cost of capital ("**WACC**") of the valuation subject. Since the size and specific risk premium differentials “ θ ” are applicable only to the equity portion (for a listed company, market capitalization represents the market value of its equity) but not to the debt portion of the WACC, we shall only adjust the equity portion of the capitalization rate in this pricing multiple adjustment formula. The ratio ε was used to apply an appropriate weighting on the parameter θ so that the capitalization rate was adjusted only to the extent of its equity portion.

The ratio of EBITDA to NOPAT was used as a scale factor α , which is applied in the adjustment of the EV/EBITDA multiple. It is considered that the base measure of the benefits for enterprise value to be NOPAT (Hitchner, 2017), which is a financial measure that shows how well a company performed through its core operations net of taxes and it excludes tax savings from existing debt and one-time losses or charges. As EV/EBITDA was adopted as the pricing multiple in this valuation, EBITDA becomes an alternative measure of the benefits for enterprise value in the pricing multiple adjustment formula. Hence, α was used as a scale factor for the alternative measure of benefit.

Details of the adjusted factors of the comparable companies are shown as below:

Automotive Parts Multiples

Ticker	Company Name	Country/ Region	Market Capitalization *(Million USD)*	EBITDA/ NOPA *(α)T*	Equity/ EV *(ε)*	Size and Regions Adjustment *(θ)*	EV/EBITDA Before Adjustment	Adjusted EV/EBITDA
TSE:8117	Central Automotive Products Ltd.	Japan	675	163%	120%	3.56%	7.36	4.87
TSE:7466	SPK Corporation	Japan	132	165%	110%	0.00%	4.84	4.84
TSE:7551	Weds Co., Ltd.	Japan	67	173%	133%	0.00%	3.26	3.26
SGX:BPF	YHI International Limited	Singapore	104	364%	100%	1.03%	5.17	4.33
BSE:590065	India Motor Parts & Accessories Limited	India	149	126%	105%	–2.18%	20.76	51.65
SGX:BFU	Tye Soon Limited	Singapore	21	194%	30%	1.03%	5.93	5.73
NSEI:JMA	Jullundur Motor Agency (Delhi) Limited	India	27	139%	105%	–2.18%	7.37	9.65
SGX:S29	Stamford Tyres Corporation Limited	Singapore	32	235%	49%	1.03%	5.35	5.04
TSE:7477	Muraki Corporation	Japan	13	118%	287%	0.00%	3.32	3.32
SET:SCL	S.C.L Motor Part Public Company Limited	Thailand	9	139%	46%	–1.31%	12.37	13.81
						Median	**5.64**	**4.95**

Fixtures & Fittings Products Multiples

Ticker	Company Name	Country/ Region	Market Capitalization *(Million USD)*	EBITDA/ NOPA (α)T	Equity/ EV (ε)	Size and Regions Adjustment (θ)	EV/EBITDA Before Adjustment	Adjusted EV/EBITDA
SGX:5VS	Hafary Holdings Limited	Singapore	117	162%	38%	1.03%	6.46	6.20
TSE:7461	Kimura Co.,Ltd.	Japan	52	227%	78%	0.00%	3.87	3.87
TSE:7425	Hatsuho Shouji Co., Ltd.	Japan	40	164%	246%	0.00%	1.63	1.63
TSE:7635	Sugita Ace Co.,Ltd.	Japan	44	229%	90%	0.00%	5.02	5.02
TSE:8077	TORQ Inc.	Japan	38	253%	36%	0.00%	12.66	12.66
NSEI:HINDWAREAP	Hindware Home Innovation Limited	India	312	302%	71%	0.53%	13.79	11.93
SEHK:599	E. Bon Holdings Limited	Hong Kong	15	265%	97%	0.15%	3.34	3.29
TSE:3024	Create Corporation	Japan	21	304%	64%	0.00%	9.61	9.61
						Median	**5.74**	**5.61**

As the Company mainly traded two types of products, i.e. automotive parts and fixtures and fittings products, the weighted average of median EV/EBITDA multiples of the Automotive Parts and Fixtures & Fittings Products based on the respective revenue percentage of the Target Group was calculated and adopted as below:

	Automotive Parts	**Fixtures & Fittings Products**
Revenue Percentage	51.5%	48.5%
Median Adjusted EV/EBITDA	4.95	5.61
Weighted Average EV/EBITDA		**5.27**

DISCOUNT FOR LACK OF MARKETABILITY

A factor to be considered in valuing closely held companies such as the Subject is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

For this exercise, the indicated discount for lack of marketability adopted for the equity interest in the Target Group is 18.3% as at the Valuation Date, based on a study 2023 edition of the Stout Restricted Stock Study Companion Guide issued by Stout Risius Ross, LLC. The adopted discount refers to the overall median discount for 13 transactions of wholesale trade industry in the study. This is the category closest to the business of the Target Group defined in the study. This discount was derived by comparing the percentage difference between the private placement price per share and the market trading price per share of the same companies in the Stout Restricted Stock Study. Licensed since 2001, the Stout Restricted Stock Study is a well known and widely accepted study among the valuers.

CALCULATION OF VALUATION RESULT

Under the guideline public companies method, the market value depends on the market multiples of the comparable companies derived from Capital IQ as at the Valuation Date and adjusted as discussed above. We have also taken into account the discount for lack of marketability. The calculation of the market value of the 100% equity interest in the Target Group as at the Valuation Date is as follows:

	30 April 2024
Trailing 12 Months EBITDA of the Target Group*	110,349,690
EV/EBITDA Multiple (times)	5.27
Enterprise Value of the Target Group	**581,735,587**
Add: cash and cash equivalents*	5,530,292
Less: interest bearing debt and amount due to its shareholders and fellow companies*	72,093,716
100% Equity Interest in the Target Group (before discount of lack of marketability adjustments)	**515,172,163**
Less: discount of lack of marketability (18.30%)	86,882,074
100% Equity Interest in the Target Group (after discount of lack of marketability adjustment)	**420,895,657**
29% Equity Interest in the Target Group	**122,059,740**
Market Value of the Subject (HK$)(Rounded)	**122,000,000**

* *The trailing 12 months EBITDA of the Target Group, as well as cash and cash equivalents, and interest bearing debt were extracted from the management accounts for the 3-month period ended 31 March 2024 and 31 March 2023, and the financial years ended 31 December 2023.*

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions which have been set out in this report above. Further, while the assumptions are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We confirm that we have sufficient current local knowledge of the market which the Target Group are engaged in and the skills and understanding necessary to undertake the valuation of the Subject competently. We do not intend to express any opinion on matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers. Further, we are not aware of any material changes to the Subject between the Valuation Date and the date of this report.

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date.

This report is issued subject to our Limiting Conditions as attached.

OPINION OF VALUE

Based on the results of our investigations and analysis, we are of the opinion that the market value of the Subject as at the Valuation Date is reasonably stated at the amount of **HK$122 million**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Company.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The management and the board of the Company have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the Subject. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialized expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the report is subject to the terms of engagement letter/ proposal and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Target Company because events and circumstances

frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This report has been prepared solely for the use as stated in the report and the engagement letter. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This report is solely for the use by the client and the calculation of values expressed herein is valid only for the purpose stated in this report and the engagement letter/or proposal as of the Valuation Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the Subject.

15. This exercise is premised in part on the historical financial information provided by the management of the Client/Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Accordingly, to the extent any of the above-mentioned information requires adjustments, the resulting value may differ significantly.

16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

17. The board of directors, management, staff, and representatives of the Client/Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client/Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

(i) The Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name	Nature of interest	Interest in Shares	Approximately percentage of shareholding (%)
Mr. Kwok Kin Sun *(Note 1)*	Interest in a controlled corporation	76,547,000	2.7
Mr. Kwok Hon Fung *(Note 2)*	Interest in a controlled corporation	190,102,000	6.8
Mr. Lu Ke *(Note 3)*	Beneficial owner	113,090,000	4.1
Mr. Duan Huiyuan *(Note 4)*	Beneficial owner	15,000,000	0.5

Notes:

(1) 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 ("**Everkept**") by reason of his 70% interest in the share capital of Everkept.

(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 ("**Equal Plus**") by reason of his 100% interest in the share capital of Equal Plus.

Equal Plus is an associated corporation of the Company pursuant to the SFO. Mr. Kwok Hong Fung, an executive director, in the capacity as a beneficial owner, held the entire issued share capital of Equal Plus (i.e. number of share held: one).

(3) Mr. Lu Ke is an executive Director and the general manager of Jiangsu HengAn, an indirect wholly-owned subsidiary of the Company. Mr. Lu Ke was granted options to subscribe for 10,000,000 Shares under the share option scheme adopted by the Company on 9 June 2014.

(4) Mr. Duan Huiyuan is an executive Director. Mr. Duan Huiyuan was granted options to subscribe for 15,000,000 Shares under the share option scheme adopted by the Company on 9 June 2014.

(b) Substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% 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:

Name	Nature of interest	Interest in Shares	Approximately percentage of shareholding *(%)*
Ms. Wang Xiu Hua *(Note 1)*	Beneficial owner	530,344,000	19.0
Equal Plus	Beneficial owner	190,102,000	6.8

Notes:

1. Ms. Wang Xiu Hua is the mother of Mr. Wang Yan, a non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% 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. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or controlling shareholder or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has any conflict of interest with the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group was made up.

7. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts whose opinions or advice are contained in this circular:

Name	Qualification
INCU Corporate Finance Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent valuer

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, opinion (as the case may be) and the references to its name (including its qualifications) in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the 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 Group.

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is Suite 708A, 7/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

(b) The Company's Hong Kong branch share registrar and transfer office is Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong.

(c) The company secretary of the Company is Mr. Ong Kam Chit Vincent. Mr. Ong is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

(d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English version shall prevail.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.chinaanchu2399.com) from the date of this circular up to and including 14 days (except public holidays) thereafter:

(i) the SPA;

(ii) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;

(iii) the letter from the Independent Financial Adviser, the text of which is set out on pages 18 to 41 of this circular;

(iv) the Valuation Report on the Sale Shares prepared by the Independent Valuer, the text of which is set out in Appendix I to this circular;

(v) the written consents referred to in paragraph 7 of this appendix; and

(vi) this circular.

中国安储能源集团
China AnChu Energy Storage Group

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders (the "**Shareholder(s)**") of China Anchu Energy Storage Group Limited (the "**Company**") will be held at Unit 3209, 32nd Floor, 9 Queen's Road Central, Central, Hong Kong on Wednesday, 25 September 2024 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company.

ORDINARY RESOLUTION

"**THAT**:

(A) the conditional sale and purchase agreement dated 22 July 2024 (the "**SPA**") entered into between Novel Star Ventures Ltd. and Astute Triumph Holdings Limited (the "**Vendor**") (a copy of which is tabled at the EGM and marked "A" and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(B) the allotment and issue of 200,000,000 new shares of the Company (the "**Consideration Shares**") by the Company to the Vendor pursuant to the terms of the SPA be and are hereby approved;

(C) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") having granted the listing of, and permission to deal in, the Consideration Shares, the directors of the Company (the "**Director(s)**") be and are hereby granted the specific mandate (the "**Specific Mandate**"), pursuant to which any one Director be and is hereby specifically authorised to exercise all the powers of the Company to allot, issue and credit as fully paid, the Consideration Shares, on and subject to the terms and conditions of the SPA; and

(D) any one Director (or any two Directors in the case of execution of documents under seal) be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he may in his absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with (i) the SPA and the respective transactions contemplated thereunder; and (ii) the Specific Mandate.''

By order of the Board
CHINA ANCHU ENERGY STORAGE GROUP LIMITED
Duan Huiyuan
Executive Director

Hong Kong, 6 September 2024

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Suite 708A, 7/F
Champion Tower
3 Garden Road, Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM may appoint a proxy to attend and, on a poll, vote on his behalf and such proxy need not be a member of the Company. A form of proxy for use at the EGM is enclosed.

2. In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not less than 48 hours (i.e. 3:00 p.m. on Monday, 23 September 2024) before the time fixed for holding the Meeting or any adjournment thereof (as the case may be).

3. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

4. The proposed ordinary resolution set out in this notice will be voted by the Shareholders and by way of a poll.

5. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 24 September 2024 to Wednesday, 25 September 2024, both days inclusive, during which no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 September 2024.

7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.