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## **CHINA ANCHU ENERGY STORAGE GROUP LIMITED**

**中國安儲能源集團有限公司**

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

**(Stock Code: 2399)**

### **DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY AND DISCLOSEABLE TRANSACTION IN RELATION TO THE GRANT OF REPURCHASE RIGHTS**

**Financial adviser to the Company**



#### **THE CAPITAL CONTRIBUTION AGREEMENTS**

The Board is pleased to announce that on 30 December 2024, the Company, Jiangsu HengAn, Oriental Richway and Yulin Anchu entered into the Capital Contribution Agreements with each of the Investors separately in respect of the Capital Contributions.

Pursuant to the Capital Contribution Agreements, the Investors have in aggregate conditionally agreed to contribute RMB28,000,000 (equivalent to approximately USD3,835,616.44) into Jiangsu HengAn, of which approximately RMB6,646,692.62 (equivalent to approximately USD910,505.84) will be contributed towards the registered capital of Jiangsu HengAn, which accounts for approximately 2.34% of the enlarged equity interest in Jiangsu HengAn, and the remaining will be contributed towards the capital reserve of Jiangsu HengAn.

Upon Completion, the Investors will be interested in approximately 2.34% of the enlarged equity interest in Jiangsu HengAn in aggregate, and the Group's interest in Jiangsu HengAn (holding through Oriental Richway and Yulin Anchu) will be diluted from 100% to approximately 97.66%. Accordingly, Jiangsu HengAn will remain as a subsidiary of the Company and the financial results of Jiangsu HengAn Group will continue to be consolidated in the financial statements of the Group.

## LISTING RULES IMPLICATIONS

### **The Capital Contributions**

The Capital Contributions constitute Deemed Disposal under Rule 14.29 of the Listing Rules. As all of the applicable percentage ratios (as defined under Rule 14.06 and Rule 14.30 of the Listing Rules) in respect of the Deemed Disposal are less than 5%, the Deemed Disposal does not constitute a notifiable transaction for the Company under the Listing Rules.

### **The Repurchase Rights**

Since the exercises of the Repurchase Rights under the Capital Contribution Agreements are not at the discretion of the Company, according to Rule 14.74(1) of the Listing Rules, the transactions will be classified as if the Repurchase Rights had been exercised at the time of the grant of the Repurchase Rights. As the highest applicable percentage ratio in respect of the grant of the Repurchase Rights in aggregate exceeds 5% but is less than 25%, the grant of the Repurchase Rights constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors has a material interest in the Capital Contribution Agreements and the transactions contemplated thereunder, and is required to abstain from voting on the relevant Board resolutions.

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

## INTRODUCTION

The Board is pleased to announce that on 30 December 2024, the Company, Jiangsu HengAn, Oriental Richway and Yulin Anchu entered into the Capital Contribution Agreements with each of the Investors separately in respect of the Capital Contributions.

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Upon Completion, the Investors will be interested in approximately 2.34% of the enlarged equity interest in Jiangsu HengAn in aggregate, and the Group's interest in Jiangsu HengAn (holding through Oriental Richway and Yulin Anchu) will be diluted from 100% to approximately 97.66%. Accordingly, Jiangsu HengAn will remain as a subsidiary of the Company and the financial results of Jiangsu HengAn Group will continue to be consolidated in the financial statements of the Group.

## THE CAPITAL CONTRIBUTION AGREEMENTS

The Capital Contribution Agreements are of the same terms, save for the amount of the Capital Contribution and the percentage of shareholding of the enlarged registered capital of Jiangsu HengAn resulting from each of the Capital Contributions. Summarised below are the principal terms of the Capital Contribution Agreements:

### Date

30 December 2024

### Capital Contributions

Each of the Investors separately entered into Capital Contribution Agreement with Jiangsu HengAn, Oriental Richway, Yulin Anchu and the Company. Pursuant to the Capital Contribution Agreements, the Investors have agreed to make the respective Capital Contributions as set out below:

Investors	Amount of Capital Contribution	Approximate amount will be credited to the registered capital of Jiangsu HengAn	Approximate amount will be credited to the capital reserve of Jiangsu HengAn
Mr. Teng Tengjun	RMB4,000,000 (equivalent to approximately USD547,945.22)	RMB937,354.09 (equivalent to approximately USD128,404.68), representing 0.33% of the enlarged registered capital of Jiangsu HengAn	RMB3,062,645.91 (equivalent to approximately USD419,540.54)
Mr. Wang Qinggong	RMB5,000,000 (equivalent to approximately USD684,931.50)	RMB1,192,996.11 (equivalent to approximately USD163,424.12), representing 0.42% of the enlarged registered capital of Jiangsu HengAn	RMB3,807,003.89 (equivalent to approximately USD521,507.38)
Mr. Gu Jun	RMB5,000,000 (equivalent to approximately USD684,931.50)	RMB1,192,996.11 (equivalent to approximately USD163,424.12), representing 0.42% of the enlarged registered capital of Jiangsu HengAn	RMB3,807,003.89 (equivalent to approximately USD521,507.38)

<b>Investors</b>	<b>Amount of Capital Contribution</b>	<b>Approximate amount will be credited to the registered capital of Jiangsu HengAn</b>	<b>Approximate amount will be credited to the capital reserve of Jiangsu HengAn</b>
Mr. He Weijun	RMB2,000,000 (equivalent to approximately USD273,972.60)	RMB482,879.38 (equivalent to approximately USD66,147.86), representing 0.17% of the enlarged registered capital of Jiangsu HengAn	RMB1,517,120.62 (equivalent to approximately USD207,824.74)
Mr. Yang Zhongjun	RMB12,000,000 (equivalent to approximately USD1,643,835.62)	RMB2,840,466.93 (equivalent to approximately USD389,105.06), representing 1.00% of the enlarged registered capital of Jiangsu HengAn	RMB9,159,533.07 (equivalent to approximately USD1,254,730.56)
Total	RMB28,000,000 (equivalent to approximately USD3,835,616.44)	RMB6,646,692.62 (equivalent to approximately USD910,505.84), representing 2.34% of the enlarged registered capital of Jiangsu HengAn	RMB21,353,307.38 (equivalent to approximately USD2,925,110.60)

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, each of the Investors is Independent Third Parties.

### **Basis of determination of the Capital Contribution**

The Capital Contribution was determined after arm's length negotiations between each of the individual Investors and Jiangsu HengAn taking into account, among other things, (i) the appraised value of the 2.34% of the enlarged equity interest in Jiangsu HengAn together with the Repurchase Rights as of the Benchmark Date, being approximately RMB27.8 million, as stated in the Valuation Report issued by the Valuer (the "Valuation"); (ii) the optimistic business prospect of energy storage battery business of Jiangsu HengAn; (iii) the fact that Jiangsu HengAn Group is at its trial production stage and accordingly has not yet generated significant amount of revenue from its principal business and has been loss-making; and (iv) the reasons and benefits as set out in the section headed "Reasons for and Benefits of entering into the Capital Contribution Agreements" below.

## *Valuation Methodology*

The methodology adopted for valuation of the appraised value of the 2.34% of the enlarged equity interest in Jiangsu HengAn is the market approach. The Valuer is of the view that the market approach is the most appropriate valuation approach for the valuation of the entire equity interest in Jiangsu HengAn as compared to cost approach or income approach for the following reasons:

- (1) the cost approach is inappropriate as it does not directly incorporate information about the economic benefits contributed by Jiangsu HengAn Group; and
- (2) the income approach is inappropriate as it requires detailed operational information and long-term financial projection of Jiangsu HengAn Group but such information is (i) not available; and (ii) highly uncertain given Jiangsu HengAn Group's loss making position in the recent years which makes the projection difficult, if not impossible.

There are two common methods under market approach, namely, guideline public company method and guideline transaction method. The valuation of the appraised value of the 2.34% of the enlarged equity interest in Jiangsu HengAn was developed through the guideline public company method. The Valuer is of the view that the guideline public company method is the most appropriate valuation approach, as it better reflects current market expectations for the relevant industry since the pricing multiples of comparable companies under this approach are derived from market consensus and are likely to capture the potential future development of the industry where Jiangsu HengAn Group operates, and it also introduces objectivity in application as publicly available inputs are used.

The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple. As most of the companies engaged in the R&D and manufacturing of industry energy storage batteries and related products are generally asset intensive and their assets can directly exhibit their market recognition, in order to reflect the latest operation status of Jiangsu HengAn Group, which is also in loss-making position, the Valuer considered that the suitable pricing multiple in this valuation is the enterprise value-to-total-assets ("EV/TA") multiple, among which enterprise value is defined as the sum of the market value of ordinary equity, preferred equity (if any) and debts less cash and cash equivalents of the relevant company.

The binomial model is adopted for valuation of the appraised value of the Repurchase Rights as the features of the Repurchase Rights are similar to those of a put option.

### *Key Assumptions*

In determining the appraised value of the 2.34% of the enlarged equity interest in Jiangsu HengAn together with the Repurchase Rights, the following key assumptions have been made:

- (1) the Valuation was primarily based on the latest historical unaudited financial information of Jiangsu HengAn Group made available to the Valuer;
- (2) Jiangsu HengAn has, or will have, sufficient capital needed, in the financial, human and physical aspects, to achieve or contribute to current and future production;
- (3) there will be no material change in the core operations of Jiangsu HengAn from what is present and/or what is expected;
- (4) all relevant laws, statutes, ordinances and regulations pertaining to Jiangsu HengAn are complied with and, where applicable, all licences are renewable upon expiry;
- (5) operational and contractual terms stipulated in the contracts and agreements associated with Jiangsu HengAn will be honored;
- (6) there is no hidden or unexpected condition associated with Jiangsu HengAn that might adversely affect the reported values in the Valuation Report;
- (7) there will be no material change in the existing political, legal, technological, fiscal or economic conditions from what is present and/or what is expected, which might adversely affect the business of Jiangsu HengAn;
- (8) the Capital Contributions have been completed as of the Benchmark Date; and
- (9) the Valuation was conducted based on a going concern assumption, under which Jiangsu HengAn is viewed as continuing in business for the foreseeable future.

### *Comparable Companies*

Selection criteria for market comparable companies include:

- (1) The industry of the comparable companies is classified as batteries based on S&P Capital IQ;
- (2) the comparable companies are principally engaged in research, development, manufacture and sale of industry energy storage battery or system and related products;
- (3) Companies are publicly listed in major stock exchange classified by the S&P Capital IQ;
- (4) The geographic locations of the comparable companies are classified as the PRC; and
- (5) Sufficient data, including the EV/TA multiples as at the Benchmark Date, of the companies are available.

Based on the above-mentioned selection criteria, the Valuer has identified an exhaustive list of comparable companies satisfying the above criteria, details of which are set out below:

	<b>Business description</b>	<b>EV as of the Benchmark Date<sup>(1)</sup></b> <i>(RMB million)</i>	<b>Latest available total assets<sup>(2)</sup></b> <i>(RMB million)</i>	<b>EV/TA multiple<sup>(3)</sup></b>
Company A	A company operates in the energy storage industry in the PRC	1,166	1,255	0.93
Company B	A company provides battery energy storage systems (BESS) worldwide	600	1,610	0.37
Company C	A company engages in the design, research and development, production, and sale of lithium-ion battery products in the PRC and internationally	4,410	5,080	0.87
Company D	A company engages in the research, development, production and sale of chemical power, new energy storage and power batteries	543	687	0.79
Company E	A company engages in the research, development, production, and sale of hydrogen fuel cell stacks and systems in the PRC	772	686	1.13
Company F	A company engages in the research, development, manufacture, sale, and service of lithium-ion batteries and systems, lead-acid batteries and systems, fuel cells and lithium products, and lead resource regeneration products	1,977	2,797	0.71

*Notes:*

- (1) Data of the comparable companies, including the EVs as of the Benchmark Date, were sourced from S&P Capital IQ.
- (2) The latest available total assets of the comparable companies represented their respective total assets as extracted from their respective latest published interim reports or quarterly reports as of the Benchmark Date.
- (3) The EV/TA multiples of the comparable companies were derived by the respective EV as of the Benchmark Date divided by the latest available total assets.

As a result, the Valuer arrived at the valuation of the appraised value of the 2.34% of the enlarged equity interest in Jiangsu HengAn together with the Repurchase Rights of approximately RMB27.8 million after taking into account (i) an adjusted EV/TA multiple, which was determined based on the median EV/TA multiple of the above identified comparable companies of 0.83 times after applying discounts for lack of marketability of the equity interests of Jiangsu HengAn; (ii) the unaudited consolidated total assets of Jiangsu HengAn Group as at 31 July 2024; and (iii) the appraised value of the Repurchase Rights granted to the Investors.

### **Payment terms**

Pursuant to the respective Capital Contribution Agreements, after the satisfaction of all the Conditions Precedent by each of the individual Investors, the individual Investors shall pay their respective Capital Contributions in full in cash to an account designated by Jiangsu HengAn. If the payment is not made by 15 January 2025, either parties of the relevant Capital Contribution Agreement may terminate such agreement in writing.

### **Conditions Precedent**

The completion of respective Capital Contribution Agreements are conditional upon fulfilment of, among other things, the following conditions, unless otherwise agreed to be waived by the individual Investors:

- (i) Transaction Documents: Jiangsu HengAn and the Existing Shareholders have executed and delivered to the Investor all transaction documents, including but not limited to the Capital Contribution Agreement, and shareholders' resolutions and the new constitution of Jiangsu HengAn;
- (ii) representations, warranties and undertakings: the representations and warranties provided by Jiangsu HengAn and the Existing Shareholders under the Capital Contribution Agreement are true, accurate, complete and not misleading as of the date of Capital Contribution Agreement and as of the Completion Date;
- (iii) no litigation or claims: there are no existing or potential claims, suits, actions, or proceedings of any kind, initiated by or against any party to the Capital Contribution Agreement, by or before any governmental authority, which seek to restrain or prohibit or to impose any material adverse effects on the Capital Contribution, and which, in the reasonable judgment of the Investor, would make it impossible or illegal to complete the Capital Contribution;
- (iv) key employees: Jiangsu HengAn has entered into employment contracts, confidentiality agreements, intellectual property assignment agreements, and non-compete agreements with all key employees and the Existing Shareholders, the terms and conditions of which have been approved by the Investor;
- (v) shareholder and board approvals: the Existing Shareholders and the board of directors of Jiangsu HengAn (if required) have approved the transactions contemplated under the Capital Contribution Agreement;



- (vi) consents and waivers: Jiangsu HengAn and the Existing Shareholders have obtained all approvals, consents or waivers (if required) from third parties for the execution and performance of the transactions contemplated under the Capital Contribution Agreement;
- (vii) due diligence: the Investor is satisfied with the results of its due diligence investigation of Jiangsu HengAn's legal, business, and financial affairs, and any material issues discovered during the due diligence process have been resolved or solutions have been agreed upon;
- (viii) no material adverse effect: there is no event or events with a material adverse effect prior to the Completion Date, and there is no evidence that such event or events that may have a material adverse effect will occur; and
- (ix) waiver of pre-emptive rights: the Existing Shareholders have waived their exercisable pre-emptive rights in writing.

### **Completion**

Completion of respective Capital Contribution Agreements will take place, after the satisfaction of all the Conditions Precedent, on the date of payment when the individual Investors paid their respective Capital Contributions in full in cash to an account designated by Jiangsu HengAn.

The Completion of each of the Capital Contribution Agreements is not inter-conditional upon the Completion of any of the other Capital Contribution Agreements.

### **Termination**

The respective Capital Contribution Agreements may be terminated at any time prior to Completion under the following circumstances:

- (i) in the event of the occurrence of any of the events of default pursuant to the Capital Contribution Agreement, including any of representations, warranties, statements, or undertakings under the Capital Contribution Agreement or any Transaction Document are untrue or inaccurate, the non-defaulting party may terminate the Capital Contribution Agreement upon serving a written notice to the defaulting party; in such a case, the non-defaulting party shall notify the defaulting party in writing of its breach of the Capital Contribution Agreement, and the defaulting party shall remedy its breach and compensate the non-defaulting party for all losses within thirty (30) days of receiving the notice; and in the event that upon the expiration of such thirty (30) days, the defaulting party has still failed to effectively remedy its breach and compensate the non-defaulting party for all losses, the non-defaulting party shall have the right to terminate the Capital Contribution Agreement;
- (ii) if any party has expressly indicated (through oral, written, or behavioral means) prior to the expiration of the performance period that it will not perform its major obligations under the Capital Contribution Agreement, or if a party's breach constitutes a fundamental breach, or if the defaulting party's breach has already caused the non-

defaulting party to be unable to achieve the fundamental purpose of the Capital Contribution Agreement, the non-defaulting party shall have the right to immediately terminate the Capital Contribution Agreement;

- (iii) in the event that prior to the completion of the business registration for the Capital Contribution or prior to the Investor has fully paid the Capital Contribution (whichever is later), Jiangsu HengAn proposes an overall or partial transfer, or Jiangsu HengAn initiates or any entity initiates against Jiangsu HengAn any legal proceedings to declare Jiangsu HengAn bankrupt or insolvent, or to dissolve, liquidate, close down, reorganize or restructure its debts under any law due to bankruptcy, insolvency or reorganization, then the Investor shall have the right to terminate the Capital Contribution Agreement by written notice to Jiangsu HengAn and the Existing Shareholders;
- (iv) in the event that the Capital Contribution is not completed within the period between the date of the Capital Contribution Agreement and the date of payment of the Capital Contribution or a period as may be agreed by the parties to the Capital Contribution Agreement, the Investor shall have the right to terminate the Capital Contribution Agreement by written notice to Jiangsu HengAn and the Existing Shareholders, except in cases where the Investor is the defaulting party;
- (v) if any governmental authority promulgates any law or regulation, or issues any order, decree or ruling, or takes any other legal action, to restrict, prevent or otherwise prohibit the transactions under the Capital Contribution Agreement, or make the transactions under the Capital Contribution Agreement illegal or impossible to complete and if such order, decree, ruling or other legal action is final and not subject to review, prosecution or appeal, any party(ies) under the Capital Contribution Agreement may terminate the Capital Contribution Agreement upon serving a written notice to the other parties of the Capital Contribution Agreement; or
- (vi) the parties to the Capital Contribution Agreement agree to terminate the Capital Contribution Agreement by mutual agreement in writing.

### **Repurchase Rights**

Each of the Investors shall have the right to require Jiangsu HengAn and/or the Company (the “**Repurchase Obligors**”), to jointly repurchase all or part of its equity interest in Jiangsu HengAn (the “**Repurchase Interest**”) within 1 month upon receipt of written notice from the Investor, after occurrence of any of the following trigger events (the “**Trigger Event(s)**”):

- (1) Jiangsu HengAn fails to consummate a qualified initial public offering on the stock exchange recognised by the Investor (the “**QIPO**”) within the five (5) years period upon the date of full payment of the Capital Contribution, and the Investor fails to exit through other means such as mergers and acquisitions;
- (2) any of Jiangsu HengAn, the Existing Shareholders or the Company is in breach of their representations, warranties, statements, undertakings or there are major issues such as fraud;

- (3) there are other circumstances that have a material adverse impact on Jiangsu HengAn's operations, such as changes in the controlling shareholder or actual controller of Jiangsu HengAn;
- (4) if more than one-third of Jiangsu HengAn's key employees change or the Company loses control on Jiangsu HengAn;
- (5) an accounting firm recognized by the Investors and Jiangsu HengAn conducts audits on Jiangsu HengAn and issues a qualified audit report other than standard unqualified opinion;
- (6) other shareholders of Jiangsu HengAn request to exercise their repurchase or redemption rights; and
- (7) other repurchase circumstances stipulated in the Capital Contribution Agreement.

The repurchase price (the "**Repurchase Price**") shall be the higher of (i) the Capital Contribution paid by the Investor with respect to the Repurchase Interest, plus an annual simple interest of 8% calculated from the payment date of the Capital Contribution to the payment date of the Repurchase Price by the Repurchase Obligors, and minus any dividends already paid to the Investor with respect to the Repurchase Interest; (ii) the most recent audited consolidated net book asset value of Jiangsu HengAn attributable to the Repurchase Interest; and (iii) the Capital Contribution plus the increases in shareholders' equity in the Repurchase Interest, including but not limited to surplus reserves, undistributed profits, and increases in shareholders' equity caused by other circumstances.

#### **Rights of first refusal and rights of co-sales**

If the ultimate beneficial owner of Jiangsu HengAn (being the Company as at the date of this announcement) proposes to, directly or indirectly, transfer to a third party any registered capital held by it in Jiangsu HengAn, excluding the Capital Contributions, the Investor shall have the rights of first refusal to purchase all or part of such registered capital at the same price and on the same conditions offered to third party. In addition, the Investor shall have the priority rights of co-sale to participate in the transfer and sell all or part of its registered capital in Jiangsu HengAn to the third-party transferee on the same conditions.

#### **Pre-emptive rights**

Prior to the QIPO and excluding the Capital Contributions, if Jiangsu HengAn proposes to increase its registered capital, the Investor shall have the pre-emptive rights to subscribe for the increased registered capital in proportion to their existing shareholdings in Jiangsu HengAn on the same conditions.

#### **Share transfer restrictions**

Prior to the QIPO and excluding the Capital Contributions, unless with the prior written consents of the Investors, the Company shall not directly or indirectly, dispose of (either by transfer, pledge or any other means) the registered capital directly or indirectly held by it in Jiangsu HengAn.

## Anti-dilution rights

In the event that the subscription price for any capital increase by Jiangsu HengAn is lower than the Investor's subscription price, the Investor's shareholding percentage shall be adjusted based on the price of the new capital increase or other forms of equity financing, and all expenses arising therefrom shall be paid and borne by the Existing Shareholders.

## Liquidation preference

If Jiangsu HengAn is liquidated for any reason, the remaining distributable assets of Jiangsu HengAn shall be distributed to the Investors, in cash if practicable, in preference to the other shareholders (except for new shareholders resulting from the Capital Contributions), at an amount equivalent to the remaining assets attributable and distributable to such Investor calculated in proportion to its shareholding percentage.

## SHAREHOLDING STRUCTURE OF JIANGSU HENGAN

Set out below is the shareholding structure of Jiangsu HengAn immediately before and after Completion:

Shareholders	Immediately before Completion		Immediately after Completion	
	Amount of registered capital (USD)	Approximate equity interest in Jiangsu HengAn (%)	Amount of registered capital (USD)	Approximate equity interest in Jiangsu HengAn (%)
<i>Existing Shareholders</i>				
Oriental Richway <sup>(Note 1)</sup>	29,440,000.00	77.47	29,440,000.00	75.66
Yulin Anchu <sup>(Note 2)</sup>	<u>8,560,000.00</u>	<u>22.53</u>	<u>8,560,000.00</u>	<u>22.00</u>
Sub-total	38,000,000.00	100.00	38,000,000.00	97.66
<i>Investors</i>				
Mr. Teng Tengjun	—	—	128,404.68	0.33
Mr. Wang Qinggong	—	—	163,424.12	0.42
Mr. Gu Jun	—	—	163,424.12	0.42
Mr. He Weijun	—	—	66,147.86	0.17
Mr. Yang Zhongjun	<u>—</u>	<u>—</u>	<u>389,105.06</u>	<u>1.00</u>
Sub-total	<u>—</u>	<u>—</u>	<u>910,505.84</u>	<u>2.34</u>
<b>Total</b>	<u><u>38,000,000.00</u></u>	<u><u>100.00</u></u>	<u><u>38,910,505.84</u></u>	<u><u>100.00</u></u>

Notes:

- (1) Oriental Richway is a wholly-owned subsidiary of the Company in which all interest in the share capital of Oriental Richway is held through the Company's interest in Right View Enterprises Limited.
- (2) Yulin Anchu is a wholly-owned subsidiary of the Company in which all interest in the share capital of Yulin Anchu is held through the Company's interest in Oriental Richway.

## INFORMATION OF JIANGSU HENGAN

Jiangsu HengAn is a company established in the PRC with limited liability on 13 December 2021. As at the date of this announcement, Jiangsu HengAn is owned by Oriental Richway and Yulin Anchu as to 77.5% and 22.5%, respectively. Jiangsu HengAn mainly engages in the manufacturing and sales of batteries and related energy storage products in the PRC.

Jiangsu HengAn Group has completed its phase 1 development plan for the production base in Nanjing (the “**Nanjing Production Base**”) in November 2022, and has started conducting production trial runs afterwards. The trial runs provide comprehensive data for designing production plans and further developing production facilities for zinc-bromine flow batteries. To meet the growing demands from customers and expand Jiangsu HengAn Group’s production capacity, Jiangsu HengAn has already entered into letter of intent and framework cooperation agreement for potential cooperation with economic and technological development zones, including one of the China Economic and Technological Development Zones (國家級經濟技術開發區).

As part of its efforts to explore and secure cooperation opportunities with potential customers, Jiangsu HengAn Group has engaged in a series of discussions with several PRC state-owned enterprises to enter into sales and purchase agreements for energy storage products. In recent months of 2024, these discussions have yielded positive results, with Jiangsu HengAn securing agreements to sell, among other products, zinc-bromine flow battery energy storage systems. The customers of the aforementioned agreements include subsidiaries of multiple PRC state-owned enterprises, principally engaged in different businesses, including power generation, production and distribution of oil and natural gas.

## Financial information of Jiangsu HengAn Group

Set out below is a summary of the financial information in the unaudited consolidated accounts of Jiangsu HengAn Group for each of the two financial years ended 31 December 2023 and the seven months ended 31 July 2024:

	<b>For the financial year ended 31 December 2022</b>	<b>For the financial year ended 31 December 2023</b>	<b>For the seven months period ended 31 July 2024</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenue</b>	398	5,541	23,626
<b>Profit before taxation</b>	(19,010)	(43,232)	(33,040)
<b>Profit after taxation</b>	(19,010)	(43,232)	(33,040)

As at 31 July 2024, the unaudited consolidated net assets of Jiangsu HengAn Group was approximately RMB3.6 million.

## INFORMATION OF THE INVESTORS

Mr. Teng Tengjun, Mr. Wang Qinggong, Mr. Gu Jun, Mr. He Weijun and Mr. Yang Zhongjun, are all PRC citizens and Independent Third Parties.

## INFORMATION OF THE EXISTING SHAREHOLDERS

### Oriental Richway

Oriental Richway Limited (東方富利有限公司) is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company in which all interest in its share capital is held through the Company's 100% shareholding interest in Right View Enterprises Limited as of the date of this announcement. Oriental Richway is principally engaged in investment holding.

### Yulin Anchu

Yulin Anchu Richway Energy Technology Co., Ltd.\* (榆林安儲富利能源科技有限公司) is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company in which all equity interest is held through the Company's 100% shareholding interest in Oriental Richway as of the date of this announcement. Yulin Anchu is principally engaged in investment holding.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL CONTRIBUTION AGREEMENTS**

The Company is incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange. The Group principally engages in the sales of industrial products to customers located in Saudi Arabia, the sales of menswear apparel, brand licensing and sales of energy storage battery in the PRC. The Group has initiated the energy storage business through its 100% equity interest in Jiangsu HengAn and its financial results are consolidated into the financial statements of the Group. As part of the Group's expansion plan into energy storage battery market, the Group has acquired intellectual property rights and fixed assets related to the production facilities of zinc-bromine flow batteries (鋅溴液流電池) through Jiangsu HengAn in January 2022.

In November 2022, Jiangsu HengAn has completed the development of the Nanjing Production Base and it has commenced the production and sales of zinc-bromine flow battery in the PRC. The major product of Jiangsu HengAn is the zinc-bromine flow battery and it has been recognised as one of the mainstream energy storage technologies by the government of the PRC. Zinc-bromine flow battery is a rechargeable battery system that uses the reaction between zinc metal and bromine to generate electric current. It is being developed for stationary power applications, ranging from domestic energy usage to grid-scale energy (電網規模能源), enabling power system operators and utility companies to store energy for later use.

The Group expected that Jiangsu HengAn will benefit from the growing market demand driven by the support of the on-going national policy of “carbon emission reduction” and the increasing need for energy storage solutions. The Energy Storage Industry Research White Paper 2024 (《儲能產業研究白皮書2024》) released by the China Energy Research Society, a national academic organization, revealed the market trend for energy storage in recent years. In 2023, power and energy scale for newly installed capacity of new energy storage in the PRC reached 21.5GW and 46.6GWh respectively. Such scale represents a year-on-year growth of over 150% in both power and energy scale. It is estimated that the new energy storage market in the PRC will have a compound annual growth rate of over 30% from 2024 to 2030.

In March 2022, for encouraging development of this emerging energy technology, the National Development and Reform Commission (NDRC) and the National Energy Administration jointly issued the 14th Five-Year Plan for the Development of New Energy Storage (《十四五新型儲能發展實施方案》), which listed zinc-bromine flow batteries as one of the key energy storage technology routes. Furthermore, in January 2023, the Ministry of Industry and Information Technology and five other governmental departments released the Guiding Opinions on Promoting the Development of the Energy Electronics Industry (《工業和資訊化部等六部門關於推動能源電子產業發展的指導意見》), identifying zinc-bromine flow batteries as one of the new energy storage technologies supported and encouraged by the state.

In 2024, remarkable progress has been observed in the expansion of the energy storage business of Jiangsu HengAn Group. During the year, Jiangsu HengAn has been expanding its customer base by engaging with potential customers, especially the PRC state-owned enterprises. The effort of customer engagement is taking effect with various subsidiaries of

PRC state-owned enterprises entering into agreements to purchase products of zinc-bromine flow batteries system from Jiangsu HengAn in 2024. Meanwhile, Jiangsu HengAn is actively working on enhancing the production capacity of the Nanjing Production Base to meet the anticipated customer demand. On 13 February 2023, Jiangsu HengAn has entered into letter of intent on collaboration with Nanjing Jiangning Economic and Technological Development Corporation\* (南京江寧經濟技術開發區管理委員會) to carry out the phase 2 development plan to increase the plant production capacity of the Nanjing Production Base. The Group expects that the phase 2 development plan of the Nanjing Production Base will be completed in 2025. Moreover, Jiangsu HengAn has also entered into a framework cooperation agreement with Suqian High-Tech Industrial Development Zone Management Committee\* (宿遷高新技術產業開發區管理委員會) regarding possible cooperation on the development of various facilities of the Group in Suqian High-Tech Industrial Development Zone\* (宿遷高新技術產業開發區).

The proceeds from the Capital Contributions will be strategically allocated to two key areas of development of the Nanjing Production Base which include expanding production capacity and upgrading production facilities from semi-automatic to fully automated systems. By improving its infrastructure and optimising the operations of the Nanjing Production Base, Jiangsu HengAn Group would position itself to meet the growing demand and could strengthen its competitive edge in the energy storage market in the PRC. By increasing the production capacity of the Nanjing Production Base to meet the customers' demands, the Capital Contributions could further enhance the Group's long-term financial performance and increase returns to the Shareholders. The Capital Contributions could align the interest of the Investors with the long-term business development of the Jiangsu HengAn Group. The granting of the Repurchase Rights to the Investors is also common in the market for other similar capital increase transactions.

In view of the above, the Directors (including the independent non-executive Directors) considered that the terms and conditions of the Capital Contribution Agreements were entered into on normal commercial terms, and that the terms thereof (including, but not limited to, the consideration and the grant of the Repurchase Rights) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### **The Capital Contributions**

The Capital Contributions constitute Deemed Disposal under Rule 14.29 of the Listing Rules. As all of the applicable percentage ratios (as defined under Rule 14.06 and Rule 14.30 of the Listing Rules) in respect of the Deemed Disposal are less than 5%, the Deemed Disposal does not constitute a notifiable transaction for the Company under the Listing Rules.

### **The Repurchase Rights**

Since the exercises of the Repurchase Rights under the Capital Contribution Agreements are not at the discretion of the Company, according to Rule 14.74(1) of the Listing Rules, the transactions will be classified as if the Repurchase Rights had been exercised at the time of the grant of the Repurchase Rights. As the highest applicable percentage ratio in respect of



the grant of the Repurchase Rights in aggregate exceeds 5% but is less than 25%, the grant of the Repurchase Rights constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, none of the Directors has a material interest in the Capital Contribution Agreements and the transactions contemplated thereunder, and is required to abstain from voting on the relevant Board resolutions.

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

## DEFINITIONS

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

“Benchmark Date”	being 31 July 2024
“Board”	the board of Directors
“Capital Contribution(s)”	the proposed capital contribution of, in aggregate, RMB28,000,000 (equivalent to approximately USD3,835,616.44) newly increased registered capital and capital reserve of Jiangsu HengAn by the individual Investors pursuant to the respective Capital Contribution Agreements
“Capital Contribution Agreement(s)”	the respective agreements entered into by the Company, the Existing Shareholders, Jiangsu HengAn and each of the Investors in relation to the Capital Contributions, as more particularly described in the section headed “The Capital Contribution Agreements” in this announcement
“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 Capital Contributions, as more particularly described in the paragraph headed “Completion” in this announcement
“Completion Date”	the date of Completion

“Condition(s) Precedent”	the condition(s) precedent to the Completion, as more particularly described in the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deemed Disposal”	the deemed disposal of the Group’s equity interest in Jiangsu HengAn resulting from the dilution of its equity interest in Jiangsu HengAn as a result of the Capital Contributions
“Directors”	the directors of the Company
“Existing Shareholders”	Oriental Richway and Yulin Anchu, the existing shareholders of Jiangsu HengAn, together holding 100% equity interest in Jiangsu HengAn as of the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Investor(s)”	Mr. Teng Tengjun, Mr. Wang Qinggong, Mr. Yang Zhongjun, Mr. Gu Jun and Mr. He Weijun, all being Independent Third Parties as of the date of this announcement
“Jiangsu HengAn”	Jiangsu HengAn Energy Technology Co., Ltd.* (江蘇恒安儲能科技有限公司) a company established in the PRC with limited liability, in which the Company has 100% interest as of the date of this announcement
“Jiangsu HengAn Group”	Jiangsu HengAn and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Oriental Richway”	Oriental Richway Limited (東方富利有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company in which all interest in its share capital is held through the Company’s 100% shareholding interest in Right View Enterprises Limited as of the date of this announcement

“Repurchase Rights”	the repurchase rights granted to the Investors under the Capital Contribution Agreements, as more particularly described in the paragraph headed “Repurchase Rights” in this announcement
“RMB”	Renminbi
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	the respective Capital Contribution Agreements and the constitution of Jiangsu HengAn, and other legal documents stipulated in the respective Capital Contribution Agreements, in relation to the individual Capital Contributions, as signed or previously approved by the respective Investors
“USD”	United States Dollar
“Valuation Report”	the valuation report issued by the Valuer on 30 December 2024 in respect of the valuation of the 2.34% of the enlarged equity interest in Jiangsu HengAn together with the Repurchase Rights
“Valuer”	Jones Lang La Salle Corporate Appraisal and Advisory Limited, an independent and qualified valuer
“Yulin Anchu”	Yulin Anchu Richway Energy Technology Co., Ltd.* (榆林安儲富利能源科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company in which all equity interest is held through the Company’s 100% shareholding interest in Oriental Richway as of the date of this announcement
“%”	per cent

*For illustration purpose, amounts in USD in this announcement have been translated into RMB at the rate of USD1 = RMB7.3. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in USD or RMB have been, could have been or may be converted at such or any other rate or at all.*

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

Hong Kong, 30 December 2024

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

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*\* For illustration purposes only*