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VESON HOLDINGS LIMITED
銳信控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01399)

**CONTINUING CONNECTED TRANSACTION
FRAMEWORK AGREEMENT FOR PROVISION OF PROCESSING
SERVICES**

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



PROCESSING FRAMEWORK AGREEMENT

On 25 November 2021 (after trading hours), Scud Battery, an indirect wholly-owned subsidiary of the Company, entered into the Processing Framework Agreement with Scud Power Technology and Scud Energy Technology, pursuant to which Scud Battery has conditionally agreed to provide the Processing Services for printed circuit boards to Scud Power Technology and Scud Energy Technology for a term of three years commencing from the first day of the calendar month immediately following the date on which the Independent Shareholders' approval relating to the Processing Framework Agreement and the proposed Annual Caps having been obtained pursuant to the requirements under Chapter 14A of the Listing Rules.

LISTING RULE IMPLICATIONS

As at the date of this announcement, Scud Power Technology is owned as to approximately 93.95% by Mr. Fang Yubin, who is the son of Mr. Fang Jin, the controlling shareholder of the Company, and Scud Energy Technology is owned as to approximately 90% by Mr. Fang Jin and approximately 10% by Ms. Fang Ying, who is the daughter of Mr. Fang Jin. Scud Power Technology and Scud Energy Technology are therefore connected persons of the Company under

the Listing Rules and accordingly, the Processing Services under the Processing Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the proposed Annual Caps, as one or more of the applicable percentage ratios in respect of the Processing Services are more than 5%, the Processing Services constitute a non-exempt continuing connected transaction of the Company subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An ordinary resolution will be proposed at the EGM to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Processing Framework Agreement and the proposed Annual Caps. Mr. Fang Jin and his associates will be required to abstain from voting on the relevant resolution to be proposed at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Mr. Cheung Wai Kwok Gary) has been established to advise the Independent Shareholders, and Red Solar Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, in relation to the Processing Framework Agreement and the proposed Annual Caps.

It is expected that a circular containing, among other things, information in relation to the Processing Framework Agreement and the proposed Annual Caps, together with the recommendations of the Independent Board Committee and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM will be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 16 December 2021.

INTRODUCTION

On 25 November 2021 (after trading hours), Scud Battery, an indirect wholly-owned subsidiary of the Company, entered into the Processing Framework Agreement with Scud Power Technology and Scud Energy Technology, pursuant to which Scud Battery has conditionally agreed to provide the Processing Services for printed circuit boards to Scud Power Technology and Scud Energy Technology for a term of three years commencing from the first day of the calendar month immediately following the date on which the Independent Shareholders' approval relating to the Processing Framework Agreement and the proposed Annual Caps having been obtained pursuant to the requirements under Chapter 14A of the Listing Rules.

A summary of the principal terms of the Processing Framework Agreement is set out below.

PROCESSING FRAMEWORK AGREEMENT

- Date: 25 November 2021 (after trading hours)
- Parties: (i) Scud Battery, as the provider of the Processing Services
- (ii) Scud Power Technology and Scud Energy Technology, as the receivers of the Processing Services
- Duration: Three years commencing from the first day of the calendar month immediately following the date on which the requirements under the Listing Rules that are relevant to the Processing Framework Agreement (including, but not limited to, all the approvals relating to the Processing Framework Agreement and the proposed Annual Caps having been obtained from the Independent Shareholders, where applicable) having been complied with, and such term may be extended by the parties' mutual agreement subject to compliance with applicable Listing Rules at the time.
- Processing Services: Scud Battery shall provide the Processing Services to Scud Power Technology and Scud Energy Technology by processing printed circuit boards through applying surface mount technology, manual plug-ins and conducting product tests, depending on specific requirements and designs specified in purchase orders to be placed by Scud Power Technology and Scud Energy Technology and to be agreed by Scud Battery.
- Scud Power Technology or Scud Energy Technology (as applicable) shall provide the materials for processing and Scud Battery shall collect such materials and conduct inventory and quality checks. If there is shortage in supply or deficiency in quality of such materials, Scud Battery should notify Scud Power Technology or Scud Energy Technology (as applicable) in a timely manner, after which Scud Power Technology or Scud Energy Technology (as applicable) shall make up for the shortfalls or replacements and Scud Battery may request for postponement of the delivery date accordingly.
- After having received the materials, Scud Battery shall check the model number of the components against the respective bills of material and confirm with Scud Power Technology or Scud Energy Technology (as applicable) if there is any issue. Scud Battery shall keep the materials dry and in vacuum packaging before applying surface mount technology.

After the products have been processed, Scud Battery shall deliver them by the delivery date specified in the purchase order to a place designated by Scud Power Technology or Scud Energy Technology (as applicable), and Scud Power Technology or Scud Energy Technology (as applicable) shall conduct inventory and quality checks on the processed products. Products which do not meet quality standards or malfunction during sample checks for products in the warehouse should be returned to Scud Battery, and handled or repaired by Scud Battery, the costs of which shall be confirmed by Scud Battery and Scud Power Technology or Scud Energy Technology (as applicable) depending on the circumstances. In general, it takes about three working days to deliver processed products which involved surface mount technology and manual plug-ins, and about five working days to deliver where product test is also required, each date being from the date of receipt of all materials.

Where product test is required by Scud Power Technology or Scud Energy Technology (as applicable), Scud Power Technology or Scud Energy Technology (as applicable) shall provide Scud Battery with written plans and equipment for product tests, provide on-site technology support during the first mass production of new products and conduct incoming quality control checks on such tested products, and Scud Battery shall produce complete test and maintenance record.

At the end of each calendar month, Scud Battery shall provide Scud Power Technology or Scud Energy Technology (as applicable) with a list of products yet to be processed. Scud Battery shall conduct inventory cross-checking with Scud Power Technology and Scud Energy Technology at least once every three months.

Processing Fee:

Within three (3) working days after Scud Power Technology or Scud Energy Technology places a purchase order, Scud Battery shall provide a fee quote for Scud Power Technology's or Scud Energy Technology's confirmation, which shall be signed by the relevant parties.

The Processing Fee shall, depend on the size of the purchase orders be as follows:

- (i) for orders of one thousand and one (1,001) or more pieces of processed products:

- (a) RMB 0.01 (excluding tax) per point will be charged for applying surface mount technology;
 - (b) RMB 30 (excluding tax) per hour will be charged for manual plug-ins; and
 - (c) RMB 30 (excluding tax) per hour will be charged for conducting product testing;
- (ii) for orders of between two hundred and one (201) and one thousand (1,000) pieces of processed products:
- (a) RMB 0.02 (excluding tax) per point will be charged for applying surface mount technology;
 - (b) RMB 60 (excluding tax) per hour will be charged for manual plug-ins; and
 - (c) RMB 60 (excluding tax) per hour will be charged for conducting product testing; and
- (iii) for orders of two hundred (200) or less pieces of processed products, the processing fee will not be calculated based on the number of processed products, and will be a one-time charge of RMB1,740 per order.

For processed products which are determined to be defective after testing, to the extent that such defects are the responsibility of Scud Power Technology or Scud Energy Technology, Scud Battery will repair those products at RMB10 (tax included) per piece. The required materials will be provided by Scud Power Technology or Scud Energy Technology (as applicable).

At the end of each calendar month, Scud Battery shall cross-check its records against the records of Scud Power Technology and Scud Energy Technology to ascertain and confirm the Processing Fee payable, based on which Scud Battery shall issue invoice to Scud Power Technology and Scud Energy Technology and which shall be payable within 60 calendar days after the relevant calendar month end. Interest on any overdue payment shall be calculated based on the average interest rate of one-year working capital loans granted by PRC banks in the same period.

Long Stop Date: In the event that the Independent Shareholders' approval relating to the Processing Framework Agreement and the proposed Annual Caps has not been obtained on or before 25 January 2022, the Processing Framework Agreement shall be automatically terminated from the date immediately thereafter, and neither of the parties shall be entitled to any right or benefit under or related to the Processing Framework Agreement and neither of the parties shall be liable under or related to the Processing Framework Agreement except for antecedent right, benefit or liability existed before such termination.

The Processing Fee was determined after arm's length negotiation between Scud Battery, Scud Power Technology and Scud Energy Technology with reference to processing fee charged by Scud Battery to clients which are independent third parties.

ANNUAL CAPS

The proposed Annual Caps for the Processing Fee payable by Scud Power Technology and Scud Energy Technology to Scud Battery under the Processing Framework Agreement were determined after taking into account (i) production capacities and manpower of the Group; (ii) business plans of the Group during the duration of the Processing Framework Agreement; (iii) projected demand of Scud Power Technology and Scud Energy Technology for the Processing Services during the duration of the Processing Framework Agreement; and with reference to (iv) fees of approximately RMB26,000,000 and approximately RMB33,000,000 paid by Scud Power Technology to third party processing service providers in the financial year ended 31 December 2020 and in the eight months ended 31 August 2021 respectively. The Annual Caps proposed are as follows:

| | From 1 January 2022 to 31 December 2022 (RMB) | From 1 January 2023 to 31 December 2023 (RMB) | From 1 January 2024 to the date immediately before the third anniversary date of the Effective Date (RMB) |
|--|--|--|--|
| Maximum Processing Fee payable for the year/period | 40,000,000 (equivalent to approximately HK\$48,780,000) | 40,000,000 (equivalent to approximately HK\$48,780,000) | 40,000,000 (equivalent to approximately HK\$48,780,000) |

INTERNAL CONTROL MEASURES

To ensure that the Processing Services will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders in accordance with the pricing policies and the principles set out in the Processing Framework Agreement and in compliance with the Listing Rules, the Group has adopted the following internal control measures:

- (i) when preparing a fee quote to Scud Power Technology and Scud Energy Technology in respect of the Processing Services, the sales department of Scud Battery shall take into account the processing fees agreed between Scud Battery and at least two other independent third party customers to whom Scud Battery provided processing services of similar nature, specification and size, to ensure that the fee quote to be provided to, and the Processing Fee to be agreed with, Scud Power Technology and Scud Energy Technology will not be lower than those agreed with such independent third party customers. The head of Scud Battery's sales department shall set out in writing the basis of selection of such independent third party customers and the basis of setting the fee quote and the Processing Fee for approval by the Group's risk management department, which performs an internal audit function and is responsible for reviewing the Group's continuing connected transactions;
- (ii) when the parties cross-check their records to ascertain and confirm the Processing Fee payable at the end of each calendar month, the sales department of Scud Battery shall set out in writing the basis of determining the Processing Fee payable for approval by the head of Scud Battery's sales department, and such determination shall be cross-checked by the Group's risk management department;
- (iii) to ascertain whether the Annual Cap(s) have been exceeded, the Group's finance department shall aggregate the amounts of Processing Fee by the end of each calendar month and compare such aggregated amount with the Annual Cap for the relevant period, and such aggregation and determination shall be cross-checked by the Group's risk management department; and
- (iv) the independent non-executive Directors and the auditors of the Company will conduct annual review on the transactions contemplated under the Processing Framework Agreement to ensure they have been conducted in accordance with its terms and the Annual Caps.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCESSING FRAMEWORK AGREEMENT

Following the relocation of some of the Group's production facilities to the newly constructed and self-owned factories in the Scud Battery Industrial Park in Fuzhou, PRC owned by Scud Battery in 2020, the efficiency of the Group's production capacities has since been further enhanced. The Group's machinery for producing and processing printed circuit boards is considered the best in Fuzhou, PRC and its surrounding areas. The Directors consider that the entering into of the Processing Framework Agreement provides an opportunity for the Group to increase its revenue by maximising utilisation of its existing production capacities and manpower.

The Directors (excluding the independent non-executive Directors, who will form their view after having considered the advice of the Independent Financial Adviser and whose view will be set out in the circular for the EGM to be issued by the Company) are of the view that the Processing Framework Agreement was entered into in the ordinary and usual course of business of the Group and the terms of the Processing Framework Agreement are on normal commercial terms arrived at after arm's length negotiation between the parties and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP, SCUD POWER TECHNOLOGY AND SCUD ENERGY TECHNOLOGY

Scud Battery is an indirect wholly-owned subsidiary of the Company. Its principal business is the ODM business which mainly supplies lithium-ion battery modules to manufacturers of well-known telecommunication brands at home and abroad. For more information, please visit the Group's website at www.vesonhldg.com.

Scud Power Technology is owned as to approximately 93.95% by Mr. Fang Yubin. Scud Power is a motive battery developer and its main business is to provide motive batteries, energy storage control systems, energy storage power supplies and related ancillary products.

Scud Energy Technology is owned as to approximately 90% by Mr. Fang Jin and approximately 10% by Ms. Fang Ying. Scud Energy Technology is a motive battery developer and its main business is to provide motive batteries, energy storage control systems, energy storage power supplies and related ancillary products.

LISTING RULE IMPLICATIONS

As at the date of this announcement, Scud Power Technology is owned as to approximately 93.95% by Mr. Fang Yubin, who is the son of Mr. Fang Jin, the controlling shareholder of the Company, and Scud Energy Technology is owned as to approximately 90% by Mr. Fang Jin and approximately 10% by Ms. Fang Ying, who is the daughter of Mr. Fang Jin. Scud Power Technology and Scud Energy Technology are therefore connected persons of the Company under the Listing Rules and accordingly, the Processing Services under the Processing Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Based on the proposed Annual Caps, as one or more of the applicable percentage ratios in respect of the Processing Services are more than 5%, the Processing Services constitute a non-exempt continuing connected transaction of the Company subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An ordinary resolution will be proposed at the EGM to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Processing Framework Agreement and the proposed Annual Caps. Mr. Fang Jin and his associates will be required to abstain from voting on the relevant resolution to be proposed at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Mr. Cheung Wai Kwok Gary) has been established to advise the Independent Shareholders, and Red Solar Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, in relation to the Processing Framework Agreement and the proposed Annual Caps.

It is expected that a circular containing, among other things, information in relation to the Processing Framework Agreement and the proposed Annual Caps, together with the recommendations of the Independent Board Committee and the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM will be despatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 16 December 2021.

DEFINITIONS

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

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| “Annual Caps” | the annual caps for the Processing Fee payable by Scud Power Technology and Scud Energy Technology to Scud Battery under the Processing Framework Agreement |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Veson Holdings Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it in the Listing Rules |
| “Director(s)” | the director(s) of the Company |

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| “Effective Date” | first day of the calendar month immediately following the date on which the Independent Shareholders’ approval relating to the Processing Framework Agreement and the proposed Annual Caps having been obtained |
| “EGM” | the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Processing Framework Agreement and the proposed Annual Caps |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | a committee of the Board comprising Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Mr. Cheung Wai Kwok Gary, being all the independent non-executive Directors |
| “Independent Financial Adviser” or “Red Solar Capital” | Red Solar Capital Limited, a corporation licensed to conduct Type 6 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and is the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Processing Framework Agreement and the proposed Annual Caps |
| “Independent Shareholders” | the Shareholders who are not required to abstain from voting at the EGM |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Fang Jin” | Mr. Fang Jin, the controlling Shareholder holding approximately 50.67% of the total issued share capital of the Company as at the date of this announcement and the father of Mr. Fang Yubin and Ms. Fang Ying |
| “Ms. Fang Ying” | Ms. Fang Ying, who owns approximately 10% of Scud Energy Technology as at the date of this announcement and is the daughter of Mr. Fang Jin |

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| “Mr. Fang Yubin” | Mr. Fang Yubin, who owns Scud Power Technology as to approximately 93.95% as at the date of this announcement and is the son of Mr. Fang Jin |
| “ODM” | original design manufacturing |
| “percentage ratios” | the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules |
| “PRC” | the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Processing Fee” | the fee payable by Scud Power Technology and Scud Energy Technology to Scud Battery for the Processing Services under the Processing Framework Agreement |
| “Processing Framework Agreement” | the framework agreement for provision of processing services dated 25 November 2021 entered into between Scud Battery as the provider of the Processing Services and Scud Power Technology and Scud Energy Technology as the receivers of the Processing Services |
| “Processing Services” | the processing services for printed circuit boards to be provided by Scud Battery to Scud Power Technology and Scud Energy Technology under the Processing Framework Agreement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Scud Battery” | 飛毛腿電池有限公司 (Scud Battery Co., Ltd.*), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company |
| “Scud Energy Technology” | 飛毛腿能源科技有限公司(Scud Energy Technology Co., Ltd.*), a limited liability company established in the PRC, which is owned as to approximately 90% by Mr. Fang Jin and approximately 10% by Ms. Fang Ying as at the date of this announcement |
| “Scud Power Technology” | 福建飛毛腿動力科技有限公司 (Fujian Scud Power Technology Co., Ltd.*), a limited liability company established in the PRC, which is owned as to approximately 93.95% by Mr. Fang Yubin as at the date of this announcement |

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| “Share(s)” | the ordinary share(s) in the Company with a nominal value of HK\$0.10 each |
| “Shareholder(s)” | the holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1=RMB0.82001 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at all.

By order of the Board
Veson Holdings Limited
Feng Ming Zhu
Chairman

Hong Kong, 25 November 2021

As at the date of this announcement, the Board comprises Mr. Feng Ming Zhu and Ms. Lian Xiu Qin being the executive Directors, Mr. Hou Li and Dr. Loke Yu being the non-executive Directors, and Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Mr. Cheung Wai Kwok Gary being the independent non-executive Directors.

* *For identification purpose only*