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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your licensed securities dealer 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 Veson Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from Red Solar Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 31 of this circular.

A notice convening the EGM to be held at Head Office, Scud Industrial Park, Fuzhou Pilot Free Trade Zone, No. 98 Jiangbin East Avenue, Mawei District, Fuzhou, Fujian Province, PRC, Hong Kong on Friday, 31 December 2021 at 10 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the EGM or any adjourned meeting if you so wish.

14 December 2021

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## DEFINITIONS

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

“Announcement”	the announcement dated 25 November 2021 issued by the Company
“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
“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
“Fujian Penghao”	福建鵬昊投資合夥企業(有限合夥) (Fujian Penghao Investment Partnership (Limited Partnership)*), owns approximately 4.66% of Scud Power Technology as at the Latest Practicable Date
“Fuzhou Mincheng”	福州經濟技術開發區閩誠股權投資合夥企業(有限合夥) (Fuzhou Economic and Technological Development Zone Mincheng Equity Investment Partnership (Limited Partnership)*), owns approximately 0.91% of Scud Power Technology as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“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 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, 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
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	8 December 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“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 Latest Practicable Date and the father of Mr. Fang Yubin and Ms. Fang Ying
“Ms. Fang Ming”	Ms. Fang Ming, sister of Mr. Fang Jin
“Ms. Fang Ying”	Ms. Fang Ying, owns approximately 10% of Scud Energy Technology as at the Latest Practicable Date and is the daughter of Mr. Fang Jin
“Mr. Fang Yubin”	Mr. Fang Yubin, owns Scud Power Technology as to approximately 93.95% as at the Latest Practicable Date and is the son of Mr. Fang Jin
“Mr. Xu”	Mr. Xu Chao, owns approximately 3.67% of Scud Power Technology as at the Latest Practicable Date

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## DEFINITIONS

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“Notice of EGM”	the notice to Shareholders set out in this circular regarding the convening of the EGM and setting out therein the Proposed Resolutions
“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 circular, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Resolutions”	the proposed ordinary resolutions to be approved by the Shareholders, as set out in the Notice of EGM
“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 Latest Practicable Date

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## DEFINITIONS

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“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, approximately 3.67% by Mr. Xu, approximately 4.66% by Fujian Penghao and approximately 0.91% by Fuzhou Mincheng as at the Latest Practicable Date
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 circular, 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.*

\* For identification purpose only

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LETTER FROM THE BOARD

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**VESON**  
HOLDINGS  
銳信控股

**VESON HOLDINGS LIMITED**  
**銳信控股有限公司**

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

**(Stock Code: 01399)**

*Executive Directors:*

Mr. Feng Ming Zhu (*Chairman*)  
Ms. Lian Xiu Qin (*Chief Executive Officer*)

*Non-executive Directors:*

Mr. Hou Li  
Dr. Loke Yu

*Independent Non-executive Directors:*

Mr. Heng Ja Wei Victor  
Mr. Lam Yau Yiu  
Mr. Cheung Wai Kwok Gary

*Registered office:*

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Place of business in Hong Kong:*

Room 1017, 10/F Leighton Centre  
77 Leighton Road  
Causeway Bay  
Hong Kong

14 December 2021

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**  
**FRAMEWORK AGREEMENT FOR PROVISION OF PROCESSING SERVICES**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the Announcement whereby the Board announced that 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

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## LETTER FROM THE BOARD

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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.

The purpose of this circular is to provide Shareholders with, among other things, (i) further details of the Processing Framework Agreement (including the proposed Annual Caps) and the transactions contemplated therein respectively; (ii) recommendations from the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the enclosed notice of the EGM.

### 2. PROCESSING FRAMEWORK AGREEMENT

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

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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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) RMB0.01 (excluding tax) per point will be charged for applying surface mount technology;
  - (b) RMB30 (excluding tax) per hour will be charged for manual plug-ins; and
  - (c) RMB30 (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) RMB0.02 (excluding tax) per point will be charged for applying surface mount technology;
  - (b) RMB60 (excluding tax) per hour will be charged for manual plug-ins; and
  - (c) RMB60 (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).

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## LETTER FROM THE BOARD

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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.

### 3. ANNUAL CAPS

The proposed Annual Caps for the Processing Fee payable by Scud Power Technology and Scud Energy Technology to Scud Battery 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:

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## LETTER FROM THE BOARD

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	<b>From 1 January 2022 to 31 December 2022 (RMB)</b>	<b>From 1 January 2023 to 31 December 2023 (RMB)</b>	<b>From 1 January 2024 to the date immediately before the third anniversary date of the Effective Date (RMB)</b>
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)

#### 4. 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

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## LETTER FROM THE BOARD

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- (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.

### **5. 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 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.

### **6. 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](http://www.vesonhldg.com).

Scud Power Technology is owned as to approximately 93.95% by Mr. Fang Yubin, approximately 3.67% by Mr. Xu, approximately 4.66% by Fujian Penghao and approximately 0.91% by Fuzhou Mincheng. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the approximately 8.20% equity interest in Fujian Penghao held by Ms. Fang Ming, Mr. Xu, Fujian Penghao and Fuzhou Mincheng are Independent Third Parties. 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.

### **7. LISTING RULE IMPLICATIONS**

As at the Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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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.

None of the Directors have any material interest in the Processing Framework Agreement and the transactions contemplated thereunder. Accordingly, no Director is required to abstain from voting on the Board resolutions to approve the Processing Framework Agreement and the transactions contemplated thereunder.

### **8. INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT BOARD COMMITTEE**

The Company has appointed Red Solar Capital as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Processing Framework Agreement is fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and in respect of the proposed Annual Caps.

The Independent Board Committee, comprising Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Mr. Cheung Wai Kwok Gary, being all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Processing Framework Agreement is fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and in respect of the proposed Annual Caps, after taking into account the recommendations of Red Solar Capital.

### **9. EXTRAORDINARY GENERAL MEETING AND SHAREHOLDERS WHO ARE REQUIRED TO ABSTAIN FROM VOTING AT THE EGM**

The following are the details of the EGM:

Date:	Friday, 31 December 2021
Time:	10 a.m.
Venue:	Head Office, Scud Industrial Park, Fuzhou Pilot Free Trade Zone, No. 98 Jiangbin East Avenue, Mawei District, Fuzhou, Fujian Province, PRC

The Notice of EGM 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 in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions

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## LETTER FROM THE BOARD

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printed thereon as soon as possible and, in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. 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 should you so wish.

The results of the EGM will be announced by the Company in accordance with Rule 13.39(5) of the Listing Rules.

Having made all reasonable enquiries, the Board believes that there are no other Shareholders who are required to abstain from voting at the EGM on the Proposed Resolutions other than Mr. Fang Jin's wholly-owned subsidiaries, Swift Joy Holdings Limited and Right Grand Holdings Limited, holding 423,770,000 Shares and 128,568,000 Shares, respectively, representing approximately 38.88% and 11.80% of the total number of issued Shares as at the Latest Practicable Date. Scud Power Technology is owned as to approximately 93.95% by Mr. Fang Yubin, who is the son of Mr. Fang Jin, 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. As such Mr. Fang Jin (together with his associates) has a material interest in the transactions contemplated under the Processing Framework Agreement and will abstain from voting at the EGM.

### **10. CLOSURE OF REGISTER OF MEMBERS**

Shareholders whose name appear on the Company's register of member on Friday, 31 December 2021, will be eligible for attending and voting at the Company's EGM. The Company's register of members and books of transfer will be closed from Thursday, 30 December 2021 to Friday, 31 December 2021, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible for attending and voting at the EGM, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, located Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 29 December 2021.

### **11. RECOMMENDATION**

The Directors (including the independent non-executive Directors having taken into consideration the advice of Red Solar Capital) are of the view that the terms of the Processing Framework Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the independent non-executive Directors) would recommend the Independent Shareholders to vote in favour of the Proposed Resolutions.

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## LETTER FROM THE BOARD

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### 12. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Letter from the Independent Board Committee, Letter from the Independent Financial Adviser, the appendix to this circular and the Notice of EGM.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**VESON**  
HOLDINGS  
銳信控股

**VESON HOLDINGS LIMITED**  
**銳信控股有限公司**

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

**(Stock Code: 01399)**

14 December 2021

*To the Independent Shareholders*

Dear Sirs or Madam,

**CONTINUING CONNECTED TRANSACTION**  
**FRAMEWORK AGREEMENT FOR PROVISION OF PROCESSING SERVICES**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular to the Shareholders dated 14 December 2021 (the “**Circular**”), of which this letter forms part. Unless otherwise indicated herein or the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the section headed “Definitions” of the Circular.

We have been appointed as the Independent Board Committee to consider and to advise you as to the fairness and reasonableness of the terms of the Processing Framework Agreement, the transactions contemplated thereunder and to recommend whether or not the Independent Shareholders should approve them. Red Solar Capital has been appointed as Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of Red Solar Capital, together with the principal factors and reasons Red Solar Capital has taken into consideration, are set out on pages 17 to 31 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular and the letter of advice from Red Solar Capital as set out on pages 17 to 31 of the Circular.

Having taken into account principal factors and reasons considered by, and the opinion of Red Solar Capital as stated in its letter of advice, we consider the terms of the Processing Framework Agreement and the proposed Annual Caps to be on normal commercial terms or better, in the ordinary and usual course of business of the Group, fair and reasonable so far as the interests of the Independent Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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We therefore recommend the Independent Shareholders to support and to vote in favour of the Proposed Resolutions.

Yours faithfully,

For and on behalf of  
**INDEPENDENT BOARD COMMITTEE**  
of  
**Veson Holdings Limited**

**Mr. Heng Ja Wei Victor**  
*Independent Non-Executive  
Director*

**Mr. Lam Yau Yiu**  
*Independent Non-Executive  
Director*

**Mr. Cheung Wai Kwok Gary**  
*Independent Non-Executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Red Solar Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Processing Framework Agreement and the transactions contemplated thereunder for the purpose of inclusion in this Circular.*



Unit 402B, 4/F  
China Insurance Group Building  
No.141 Des Voeux Road Central  
Central, Hong Kong

14 December 2021

To: The Independent Board Committee and the Independent Shareholders of  
Veson Holdings Limited

Dear Sirs,

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

#### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Processing Framework Agreement and the transactions contemplated thereunder (collectively, the “**Transactions**”), 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 14 December 2021 (the “**Circular**”), of which this letter of advice forms part. Unless the context requires otherwise, capitalised terms used in this letter of advice shall have the same meanings as defined in the Circular.

References are made to the Announcement and the Circular. 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 Rules implications**

As at the Latest Practicable Date, 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

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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 constitutes 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.

### THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Mr. Cheung Wai Kwok Gary, being all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Processing Framework Agreement is fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and in respect of the proposed Annual Caps, after taking into account the recommendations of Red Solar Capital. We, Red Solar Capital Limited, have been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in the same regard and on how to vote at the EGM.

### OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, save for this engagement of us as the Independent Financial Adviser, no other relationship has been formed and no direct engagement has been performed between the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us. As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, the other party(ies) to the Transactions, or a close associate or core connected person of any of them and us, or other parties that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our engagement as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company and its subsidiaries or their respective substantial shareholders or any party acting in concert, or presumed to be acting in concert, with any of them. Accordingly, we considered that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group (including but not limited to those contained or referred to in the Announcement and the Circular). We have reviewed the documents including but not limited to (i) the Processing Framework Agreement; (ii) the Circular and the Letter from the Board contained therein; (iii) the annual report and the interim report of the Company for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively (the “**2020 Annual Report**” and “**2021 Interim Report**”, respectively); and (iv) the relevant supporting documents provided by the Company

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to formulate our opinion and recommendation. We have assumed that the information and facts supplied, opinions expressed, statements and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs or future prospects of the Group, or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Any subsequent developments may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

#### **1. Background of and reasons for the Transactions**

##### ***(a) Background information of the Group***

The Company is a public limited liability company incorporated in the Cayman Islands as an exempted company and its Shares were listed on the Main Board of the Stock Exchange (stock code: 1399). The Group is principally engaged in manufacture and sale of lithium-ion

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battery modules and related accessories for mobile phones, tablets, notebook computers and digital electronic appliances (“**ODM Business**”). The Group is also engaged in manufacture and sale of lithium-ion bare battery cells (“**Bare Battery Cell Business**”).

The following is a summary of the key financial information of the Group for each of the two years ended 31 December 2020 (the “**FY2019**” and “**FY2020**”, respectively) and the six months ended 30 June 2020 and 2021, respectively (the “**6M2020**” and “**6M2021**”, respectively) as extracted from the 2020 Annual Report and the 2021 Interim Report, respectively:

	<b>For the 6M2021</b>	<b>For the 6M2020</b>	<b>For the FY2020</b>	<b>For the FY2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
		(represented)		
Revenue	3,194,976	2,902,578	6,216,571	7,395,203
Gross profit	273,565	185,743	385,946	530,458
Profit/(Loss) before income tax	24,605	(37,499)	(39,903)	56,227
Profit/(Loss) for the period/year	8,592	(35,021)	(57,482)	48,696
		<b>As at 30 June 2021</b>	<b>As at 31 December 2020</b>	<b>As at 31 December 2019</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)	(audited)
Total assets		5,216,668	4,643,973	5,183,200
Total liabilities		4,188,592	3,619,432	4,108,674
Net assets		1,028,076	1,024,541	1,074,526

### *Comparison between FY2019 and FY2020 and performance highlights*

The Group’s revenue decreased by approximately RMB1.18 billion, or approximately 15.94%, from approximately RMB7.40 billion for the FY2019 to approximately RMB6.22 billion for the FY2020. According to the 2020 Annual Report, the Group recorded a decline in both its ODM Business and Bare Battery Cell Business during the same years. As set out in the profit warning announcement of the Company dated 15 March 2021, the decline in the financial performance of the Group was mainly attributable to, among other things, the reduction in sales during the FY2020 due to (i) the decrease in consumer spending globally as a result of the impact of the novel coronavirus (COVID-19) pandemic (the “**Pandemic**”) on the economy; and (ii) the delay in resumption of the Group’s production lines to full capacity after the Chinese

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New Year holidays in 2020 and the disruption to cross-border trade, materials supply chain globally and logistics and transportation services as a result of measures taken by the governments of the PRC and other regions in relation to the Pandemic such as restrictions on travelling, traffic control measures and quarantine measures. Despite a general decrease in the Group's various expenses and costs between the FY2019 and the FY2020, the Group turned from a profit-making position for the FY2019 to a loss-making position for the FY2020.

### *Comparison between 6M2020 and 6M2021 and performance highlights*

The Group's revenue increased by approximately RMB0.29 billion, or approximately 10.07%, from approximately RMB2.90 billion for the 6M2020 to approximately RMB3.19 billion for the 6M2021, which was driven by the recovery in turnover in both its ODM Business and Bare Battery Cell Business between the same periods, as set out in the 2021 Interim Report. Apart from such recovery in turnover, according to the positive profit alert announcement of the Company dated 25 August 2021, the Group also recorded a higher gross profit margin when comparing between 6M2020 and 6M2021. Primarily as a result of the above, the Group turned around from a loss-making position for the 6M2020 to a profit-making position for the 6M2021.

### *Prospects*

We understood from the Company that the outbreak of the Pandemic inevitably has a negative impact on the smartphone industry and the Group's ODM Business operations. In the first half of 2021, COVID-19 continued to rage globally. Although various countries started vaccination against COVID-19, it still takes a certain period of time for the global economy to recover from the damages caused by the Pandemic, and for the market demand for the Group's ODM batteries products and bare battery cells to return to the pre-pandemic level.

Nonetheless, in anticipation of the subsidence of the Pandemic, the Board expected that the supply and demand of smartphones and tablets is likely to recover. The Pandemic has accelerated the digital transformation of lifestyle. People now spend more time working remotely and studying through online systems, and online shopping, video conferencing and online gaming applications are being used more frequently. These changes are expected to boost the demand for smart electronic products and related accessories. Although the Board expected the business environment in the future to be full of challenges, the Group will proactively pay attention to the application of lithium-ion batteries in new industries and new fields and seize opportunities for accessing new markets.

We also note that during the 6M2021, the construction of two new factories in the Group's self-owned industrial park in Fuzhou was completed, and some floors were put into use. The new factories enhanced the production capacity and efficiency of the

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Group. The construction of new staff dormitories in the industrial park was in progress. The new staff dormitories will consolidate the Group's staff facilities and facilitate staff management by the Group to increase production efficiency.

***(b) Reasons for and benefits of the Transactions***

As set out in the Letter from the Board, pursuant to the Processing Framework Agreement, 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 testing, 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. We have enquired with the Company and understood that the Group has been providing printed circuit boards processing or assembly services to other parties, after satisfying internal needs and with an aim to utilise the Group's production capacity to its maximum and to generate addition income for the Group, which generally (i) also involve surface mount technology and manual plug-ins; and (ii) require very similar technology, machines and labour skills, and are highly identical to the Processing Services with variations in specification only. We have also obtained the relevant management accounts of the Group and noted that the Group's turnover from providing such processing services exceeded RMB18 million, RMB21 million, RMB23 million and RMB22 million for the year ended 31 December 2018, FY2019, FY2020 and the eight months ended 31 August 2021, respectively, and nearly all are from external independent third parties. Taking into account the above, we considered that the provision of the Processing Services is in the ordinary and usual course of business of the Group.

We have also obtained information on the business and financial information of Scud Power Technology and Scud Energy Technology. Both of them are motive battery developers and their main business is to provide motive batteries, energy storage control systems, energy storage power supplies and related ancillary products. According to the information provided by the Company, Scud Power Technology and Scud Energy Technology, (i) the turnover of Scud Power Technology exceeded RMB647 million, RMB843 million, RMB1,338 million and RMB962 million for the year ended 31 December 2018, FY2019, FY2020 and the eight months ended 31 August 2021, respectively; (ii) Scud Power Technology has been engaging third party suppliers for printed circuit boards processing, and the processing fees involved exceeded RMB26 million and RMB33 million for the FY2020 and the eight months ended 31 August 2021, respectively; and (iii) although Scud Energy Technology was established in June 2021, it planned to establish about 10 production lines by around September 2022 and achieve annual production value of approximately RMB600 million to RMB1 billion. As such, we also considered that it is reasonable and commercially justifiable for Scud Power Technology and Scud Energy Technology to engage the Group for the provision of the Processing Services.

In addition, we understood from the Company that following the relocation of some of the Group's production facilities to the newly constructed factories in the Group's self-owned industrial park in 2020, the production efficiency and capacity of the Group were enhanced. We have enquired with the Company and understood that the Group has sufficient production capacity for the Processing Services after taking into account its internal needs and no material

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capital expenditure is expected to be necessary for the provision of the Processing Services. The Group also considered its current manpower and skills level to be sufficient for providing the Processing Services. On this basis, we considered that the provision of the Processing Services is reasonable to the Group.

After taking into account all the above factors, we (i) concurred with the Directors' view that the Processing Framework Agreement was entered into in the ordinary and usual course of business of the Group, and 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; and (ii) considered that it is reasonable and commercially justifiable for the Company to enter into the Processing Framework Agreement.

### **2. Principal terms of the Processing Framework Agreement**

The principal terms of the Processing Framework Agreement are set out below:

- 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 testing, 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.

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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 checking. 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 checking 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 testing is also required, each date being from the date of receipt of all materials.

Where product testing 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 testing, provide on-site technology support during the first mass production of new products and conduct incoming quality control checking on such tested products, and Scud Battery shall produce complete testing and maintenance record.

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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 as follows:

- (i) for orders of one thousand and one (1,001) or more pieces of processed products:
  - (a) RMB0.01 (excluding tax) per point will be charged for applying surface mount technology;
  - (b) RMB30 (excluding tax) per hour will be charged for manual plug-ins; and
  - (c) RMB30 (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) RMB0.02 (excluding tax) per point will be charged for applying surface mount technology;
  - (b) RMB60 (excluding tax) per hour will be charged for manual plug-ins; and
  - (c) RMB60 (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.

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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.

### *Discussion on the pricing policy under the Processing Framework Agreement*

As set out in the Letter from the Board, 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.

We have further enquired with the Company and understood that the processing fee that the Group charges, whether to independent third parties or Scud Power Technology and Scud Energy Technology, is in general determined based on factors such as the cost for processing, level of technology and skills required, quantity ordered and prevailing market conditions, and will vary depending on the specification of each order. The Company considered that such price determination mechanism is in line with the market or the industry, and we agreed that such price determination factors are reasonable.

In addition, we have obtained three recent quotations from the customers of the Group, which are independent third parties of the Group, for printed circuit boards processing services of similar nature, specification and size from the Group. We noted that the Processing Fee is no less favourable to the Group than the processing fees the Group charged to the aforesaid

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customers for the provision of similar processing services. As such, we were satisfied that the Processing Fee was determined with reference to processing fee charged by Scud Battery to clients which are independent third parties.

We have also reviewed the Processing Framework Agreement and the terms and conditions thereunder, and compared them with the terms and conditions set out in the quotations/purchase orders from customers who are independent third parties of the Group. We were not aware of material deviation between them and noted that the terms and conditions of the Processing Framework Agreement are no less favourable to Group than those of the quotations/purchase orders from customers who are independent third parties.

Based on the above, we considered that the terms of the Processing Framework Agreement, including but not limited to the pricing policy thereunder, are on normal commercial terms, fair and reasonable and in the interest of the Company so far as the Company and the Independent Shareholders are concerned.

### 3. Basis of the Annual Caps

As set out in the Letter from the Board, the proposed Annual Caps for the Processing Fee payable by Scud Power Technology and Scud Energy Technology to Scud Battery for the term of the Processing Framework Agreement are as follows:

	<b>From 1 January 2022 to 31 December 2022 (RMB)</b>	<b>From 1 January 2023 to 31 December 2023 (RMB)</b>	<b>From 1 January 2024 to the date immediately before the third anniversary date of the Effective Date (RMB)</b>
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)

The Annual Caps 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 million and approximately RMB33 million paid by Scud Power Technology to third party processing service providers in the FY2020 and in the eight months ended 31 August 2021 respectively.

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To further analyse the basis of determining the proposed Annual Caps and the factors considered by the Board, as discussed in the paragraphs headed “Reasons for and benefits of the Transactions” above in this letter, we have obtained from the Company and understood that:

- (i) the Group’s turnover from providing processing services which are similar to the Processing Services exceeded RMB18 million, RMB21 million, RMB23 million and RMB22 million for the year ended 31 December 2018, FY2019, FY2020 and the eight months ended 31 August 2021, respectively, and nearly all are from external independent third parties;
- (ii) the processing fees paid by Scud Power Technology to their processing services providers exceeded RMB26 million and RMB33 million for the FY2020 and the eight months ended 31 August 2021, respectively; and
- (iii) Scud Energy Technology planned to establish about 10 production lines by around September 2022 and achieve annual production value of approximately RMB600 million to RMB1 billion.

Considering (i) the increase in the processing fees paid by Scud Power Technology to its processing services providers from over RMB26 million for the FY2020 to over RMB33 million for the eight months ended 31 August 2021; (ii) such processing fees paid by Scud Power Technology for the FY2020 and the eight months ended 31 August 2021, respectively, are close to the proposed Annual Caps of RMB40 million per year during the duration of the Processing Framework Agreement; (iii) the expected production of Scud Energy Technology will also create demand for the Processing Services; (iv) the Group’s turnover from providing processing services which are similar to the Processing Services were also gradually increasing during the year ended 31 December 2018, FY2019 and FY2020, and have already exceeded RMB22 million for the eight months ended 31 August 2021; (v) the Board expected the supply and demand of smartphones and tablets to recover in anticipation of subsidence of the Pandemic; and (vi) we were not aware of any factor which may have material adverse impact on the Group’s industry and thus the supply and demand of smartphones and tablets, we considered that the proposed Annual Caps have been determined with historical transaction amounts of similar processing services, and the basis of determining them are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Internal control measures in respect of the Processing Framework Agreement**

We have also reviewed the internal control measures of the Group as follows, and we considered that such internal control measures are sufficient to ensure that the Processing Services will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders in accordance with the pricing policies and the principles set out in the Processing Framework Agreement and in compliance with the Listing Rules.

- (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

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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 amount 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.

### **5. Reporting requirements and conditions of the continuing connected transactions contemplated under the Processing Framework Agreement**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions contemplated under the Processing Framework Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the annual report that the continuing connected transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming that the continuing connected transactions:
  - (i) have received the approval of the Board;
  - (ii) are, in all material respects, in accordance with the pricing policies of the Group (if applicable);
  - (iii) have been entered into, in all material respects, in accordance with the relevant agreement governing the continuing connected transactions; and
  - (iv) have not exceeded the annual cap;
- (c) the Company shall allow, and shall procure the relevant counterparties to the continuing connected transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

In light of the reporting requirements attached to the continuing connected transactions and the Group's internal control measures as discussed in the paragraphs headed "4. Internal control measures in respect of the Processing Framework Agreement" above in this letter, we are of the view that appropriate measures will be in place to effectively monitor the conduct of the continuing connected transactions and assist to safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the opinion that the Processing Framework Agreement and the transactions contemplated thereunder, being the provision of the Processing Services, are (i) in the ordinary and usual course of business of the Group; (ii) justifiable, fair and reasonable; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) the terms of the Processing Framework Agreement are on normal commercial terms and are fair and reasonable, including the proposed Annual Caps, so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to

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vote in favour of the resolution(s) to be proposed at the EGM to approve the Processing Framework Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**RED SOLAR CAPITAL LIMITED**  
**Leo Chan**  
*Managing Director*

*Mr. Leo Chan is a licensed person and responsible officer of Red Solar Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 12 years of experience in corporate finance industry.*

**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 is 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 the Shares, underlying Shares and debentures**

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company and/or any of their respective associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

**(b) Directors' other interests**

As at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group;
- (ii) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited consolidated accounts of the Company were made up), 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; and
- (iii) so far as the Directors were aware, none of the Directors or any of their respective close associates had any interest in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

(c) **Substantial Shareholders' and others' interests and short positions in the Shares and underlying Shares**

As at the Latest Practicable Date, the following persons (not being the Directors or the chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

*Long Positions – Ordinary Shares*

Name of Shareholder	Capacity and nature of interest	Number of Shares in which interested	Percentage of the issued share capital of the Company as at the Latest Practicable Date (Note 1)
Swift Joy Holdings Limited (Note 2)	Beneficial owner	423,770,000	38.88%
Right Grand Holdings Limited (Note 2)	Beneficial owner	128,568,000	11.80%
Fang Jin (Note 3)	Interest in controlled corporations	552,338,000	50.67%

*Notes:*

- (1) The Company applied the number of Shares in issue as at the Latest Practicable Date, being 1,090,001,246 Shares, when calculating the percentages.
- (2) Each of Swift Joy Holdings Limited and Right Grand Holdings Limited was a private company directly wholly-owned by Mr. Fang Jin.
- (3) Among 552,338,000 Shares, 423,770,000 Shares were owned by Swift Joy Holdings Limited and 128,568,000 Shares were owned by Right Grand Holdings Limited (see also Note 2 above).

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### 3. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**5. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given advice, letter or opinion for incorporation and as contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Red Solar Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Red Solar Capital has no shareholding, direct or indirect, 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, Red Solar Capital has no direct or indirect interests in any assets which have been, since 31 December 2020 (the date to which the latest published audited accounts of the Group were made up), 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.

Red Solar Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

**6. GENERAL**

The English text of this circular shall prevail over the Chinese text to the extent of any inconsistency.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be published on the Company's website ([www.vesonhldg.com](http://www.vesonhldg.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) from the date of this circular up to and including the date of the EGM:

- (a) the Processing Framework Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;
- (c) the letter from Red Solar Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 31 of this circular;

- (d) the written consent given by Red Solar Capital, as referred to in the paragraph 5 of this appendix; and
- (e) this circular.

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## NOTICE OF EGM

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**VESON**  
HOLDINGS  
銳信控股

**VESON HOLDINGS LIMITED**

**銳信控股有限公司**

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

**(Stock Code: 01399)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Veson Holdings Limited (the “**Company**”) will be held at 10 a.m. on Friday, 31 December 2021 at Head Office, Scud Industrial Park, Fuzhou Pilot Free Trade Zone, No. 98 Jiangbin East Avenue, Mawei District, Fuzhou, Fujian Province, PRC for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** The processing framework agreement dated 25 November 2021 entered into between Scud Battery Co., Ltd., Fujian Scud Power Technology Co., Ltd and Scud Energy Technology Co., Ltd with regard to the provision of processing services for printed circuit boards (the “**Processing Framework Agreement**”) and the transactions contemplated thereunder (including the proposed annual caps therefor) be and are hereby approved, confirmed and ratified, as the case may be and the directors of the Company be and are hereby authorised, for and on behalf of the Company and any member of its subsidiaries, to take all steps necessary or expedient in his opinion to give effect to and implement the Processing Framework Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 14 December 2021

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## NOTICE OF EGM

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*Executive Directors:*

Mr. Feng Ming Zhu (*Chairman*)

Ms. Lian Xiu Qin (*Chief Executive Officer*)

*Non-executive Directors:*

Mr. Hou Li

Dr. Loke Yu

*Independent Non-executive Directors:*

Mr. Heng Ja Wei Victor

Mr. Lam Yau Yiu

Mr. Cheung Wai Kwok Gary

*Notes:*

1. A form of proxy for the meeting is enclosed.
2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
4. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holders may vote either in person or by proxy in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at any meeting, 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, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
7. Shareholders whose name appear on the Company's register of members on Friday, 31 December 2021 will be eligible for attending and voting at the Company's extraordinary general meeting. The Company's register of members and books of transfer will be closed from Thursday, 30 December 2021 to Friday, 31 December 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible for attending and voting at the extraordinary general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 29 December 2021.