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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)

DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 5.68% EQUITY INTEREST IN THE TARGET COMPANY
DISPOSAL OF LAND

INTRODUCTION

On 7 November 2022, Scud Battery, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Target Company, pursuant to which Scud Battery has conditionally agreed to acquire, and the Target Company has conditionally agreed to allot and issue to Scud Battery, 5.68% of equity interest in the Target Company, in accordance with the terms and conditions of the Investment Agreement. Immediately upon Completion, the Target Company will be indirectly owned as to 5.68% by the Company.

THE INVESTMENT AGREEMENT

Date: 7 November 2022

Parties: (a) Scud Battery; and
(b) Target Company.

The Acquisition: Scud Battery has conditionally agreed to acquire, and the Target Company has conditionally agreed to allot and issue to Scud Battery, 5.68% of equity interest in the Target Company in accordance with the terms and conditions of the Investment Agreement.

Consideration: The consideration of the Acquisition comprise:

- (a) the land use rights of the Land (the “**Land Use Rights**”); and
- (b) the building ownership rights of the buildings erected on the Land (the “**Building Ownership Rights**”)

(collectively, the “**Consideration**”).

The Land has a total area of approximately 17,026.39 sq.m. and the buildings erected on the Land have a total floor area of approximately 73.07 sq.m. For further details of the Land, please refer to section headed “**INFORMATION OF THE LAND**” below.

The Consideration was determined after arm’s length negotiations between the Parties on normal commercial terms taking into account:

- (a) value of 5.68% equity interest in the Target Company as at 31 December 2021 in the valuation report of approximately RMB20,970,000 (equivalent to approximately HK\$22,792,293), based on an enterprise valuation report dated 7 November 2022 prepared by the Independent Enterprise Valuer; and
- (b) aggregate value of the Land Use Rights and Building Ownership Rights as at 30 September 2022 in the valuation report of approximately RMB20,940,000 (equivalent to approximately HK\$22,759,686), based on a property valuation report dated 7 November 2022 prepared by the Independent Property Valuer.

Conditions Precedent: Completion is conditional upon fulfilment or waiver (if applicable) of the following conditions precedent (the “**Conditions Precedent**”):

- (a) all approval(s) required for Scud Battery in connection with the Investment Agreement and the transactions contemplated thereunder, including approval from the Independent Shareholders at the EGM, having been obtained;
- (b) save as disclosed to Scud Battery in writing, the shares in the Target Company held by existing shareholders of the Target Company are legal, complete and not encumbered by any third-party rights or ownership disputes;
- (c) the internal and external approval(s) required for the Target Company in connection with the Investment Agreement and the transactions contemplated thereunder having been obtained;

- (d) the representations and warranties given by the Target Company in the Investment Agreement are valid, true, accurate, complete and not misleading from the date of the Investment Agreement until Completion;
- (e) the Target Company having truly, accurately and completely disclosed information of the Target Company to Scud Battery in writing;
- (f) there being no material adverse change on the business qualifications, operations, assets, financial or other conditions or prospects of the Target Company from the date of the Investment Agreement until Completion;
- (g) all existing shareholders of the Target Company having waived their pre-emption rights in connection with the Acquisition in writing; and
- (h) Scud Battery having completed its due diligence on the Target Company and is satisfied with the relevant results.

The condition precedent set out in item (a) above is incapable of being waived. Scud Battery may by notice in writing to the Target Company waive the conditions precedent set out in items (b) to (h) above.

In the event the Conditions Precedent are not fulfilled or waived (if applicable) by 31 December 2022 (or any other date as may be agreed by the Parties), the Investment Agreement shall automatically lapse from the day after such date, and neither Party shall be entitled to any rights or interests under or in connection with the Investment Agreement and shall not be liable for any liability under or in connection with the Investment Agreement, save for any rights, interests or liabilities which have accrued before such date.

Completion: Scud Battery shall, within 15 days of fulfilment or waiver (if applicable) of all Conditions Precedent and receipt of a land transfer notice from the Target Company, deliver the Land Use Right Certificate to the Target Company. The Target Company shall apply to the relevant land authority for amendment of registration of the Land.

The Target Company shall, within 15 Business Days of receipt of the Land Use Right Certificate, apply to the relevant regulatory authority for registration of Scud Battery as a new equity holder of the Target Company.

Immediately upon Completion, the Target Company will be owned as to 5.68% by Scud Battery.

INFORMATION OF THE LAND

Scud Battery acquired the right to use the Land from the Natural Resources and Planning Bureau of Mawei District in 2006. Details of the Land are as follows:

Location:	Entire block 2 of Scud Battery Industrial Park, No. 135 Rujiang East Road, Mawei Town, Mawei District (馬尾區馬尾鎮儒江東路135號飛毛腿電池工業園門衛2整座) in Fuzhou, the PRC.
Total area of the Land:	Approximately 17,026.39 sq.m.
Total floor area of buildings erected on the Land:	Approximately 73.07 sq.m.
Nature of grant:	Leasehold, with a lease term of 50 years from 31 December 2006 to 30 December 2056.
Land use:	Industrial
Restriction on land use:	Pursuant to a supplemental contract entered into between Scud Battery and the Natural Resources and Planning Bureau of Mawei District in December 2019, Scud Battery shall complete construction on the Land within 36 months of the contract. If the Land is not put into use within two years of the contract, the Land may be subject to resumption without any compensation.
Cost of acquisition:	approximately RMB3,658,927 (equivalent to approximately HK\$3,976,888)

正衡資產評估房地產估價(福建)有限公司 (Zhengheng Asset Appraisal Real Estate Appraisal (Fujian) Co., Ltd.*), the Independent Property Valuer, valued the Land Use Rights and Building Ownership Rights as at 30 September 2022.

The table below shows the reconciliation of the Land Use Rights and Building Ownership Rights from the audited consolidated financial statement as at 31 December 2021 to the unaudited net asset value of the Land Use Rights and Building Ownership Rights as at 30 September 2022:

	Total RMB
Net book value as at 31 December 2021	3,014,758
Less: depreciation for the nine months ended 30 September 2022	<u>66,047</u>
Net book value as at 30 September 2022 (unaudited)	2,948,711

Total
RMB

Add: Valuation surplus as at 30 September 2022	17,991,289
Valuation as at 30 September 2022 as set out in the property valuation report dated 7 November 2022 prepared by the Independent Property Valuer	<u>20,940,000</u>

FINANCIAL IMPLICATIONS OF THE ACQUISITION

Upon completion of the Acquisition, the Land Use Rights and the Building Ownership Rights will be exchanged for the equity interests in the Target Company.

At initial recognition, the net carrying amounts of the Land Use Rights and the Building Ownership Rights (the “**Net Carrying Amounts**”) will be derecognised and the fair value of the equity interests in the Target Company will be recognised and classified as financial assets at fair value through other comprehensive income (the “**Fair Value**”). The difference between the Net Carrying Amounts and the Fair Value will be recognised in profit or loss.

Any change in the Fair Value will subsequently be recognised in other comprehensive income.

INFORMATION OF THE PARTIES

The Target Company

The Target Company 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.

As at the date of this announcement, the Target Company was owned as to approximately 93.95% by Mr. Fang Yubin, approximately 3.05% by Fujian Penghao, approximately 2.4% by Mr. Xu, and approximately 0.6% 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, each of Mr. Xu, Fujian Penghao and Fuzhou Mincheng are independent third parties.

Set out below is the audited/unaudited financial information of the Target Company prepared in accordance with PRC accounting standards:

	For the six months ended 30 June 2022 (unaudited) RMB (approximately)	For the year ended 31 December 2021 (audited) RMB (approximately)	For the year ended 31 December 2020 (audited) RMB (approximately)
Profit/(loss) before taxation	21,851,206 (equivalent to approximately HK\$23,750,076)	29,598,164 (equivalent to approximately HK\$32,170,244)	49,000,717 (equivalent to approximately HK\$53,258,879)
Profit/(loss) after taxation	21,851,206 (equivalent to approximately HK\$23,750,076)	29,598,164 (equivalent to approximately HK\$32,170,244)	49,000,717 (equivalent to approximately HK\$53,258,879)

The net asset value of the Target Company as at 31 December 2021 is approximately RMB256,136,383 (equivalent to approximately HK\$278,394,635).

The value of the entire equity interest in the Target Company as at 31 December 2021 in the enterprise valuation report is approximately RMB369,100,000 (equivalent to approximately HK\$401,174,790), based on an enterprise valuation report dated 7 November 2022 prepared by the Independent Enterprise Valuer.

The Company

The Company is a limited liability company incorporated in the Cayman Islands and its Shares are listed on the Main Board of the Stock Exchange (stock code: 1399). The Group is principally engaged in the manufacture and sale of lithium-ion battery modules and related accessories for mobile phones, tablets, notebook computers and digital electronic appliances. The Group is also engaged in manufacture and sale of lithium-ion bare battery cells.

Scud Battery

Scud Battery is an indirect wholly-owned subsidiary of the Company. Its principal business is ODM 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.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE DISPOSAL

The Directors observed a decline in growth rate of smartphone shipments in recent years. The Directors expect the trend to continue as the downward trend is attributable to market saturation, lack of technological breakthrough and increasingly budget-conscious consumers. As such, the demand for

lithium-ion battery modules supplied by Scud Battery may be weakened in the future. In light of the weakened growth currently perceived for the smartphone market, the Directors are of the opinion that Scud Battery should strategically expand its business portfolio beyond lithium-ion battery modules for handheld smart devices.

The Directors observed a steep growth trajectory in electric vehicle sales, which contributed to a significant increase in demand for motive batteries, energy control storage systems and energy storage power supplies. The Directors expect that the PRC government's policies to promote green energy and lower carbon footprint, higher preference for clean energy among consumers and improved battery performance will increase consumer demand for electric vehicles including electric motorcycles and electric scooters, and the motive battery sector will enter into a phase of rapid growth. The Acquisition represents a first step by Scud Battery investing into the motive battery sector, and forms part of Scud Battery's strategic business diversification plan.

Pursuant to the Processing Framework Agreement approved by an extraordinary general meeting of the Company held on 31 December 2021, Scud Battery has been providing processing services for printed circuit boards to the Target Company since January 2022. Scud Battery and the Target Company has formed an upstream and downstream relationship and are complementary in terms of resources and demand. The Directors are of the opinion that a stable relationship and strategic partnership between Scud Battery and the Target Company will allow Scud Battery to further utilise its production capacity and benefit from synergy. The Directors expect that the Target Company will capture the strong growth momentum in the motive battery sector and has high potential of increasing its production in the near future. In addition to the potential upside in capital growth of the Target Company, the Acquisition will foster closer relationship between Scud Battery and the Target Company, and is likely to encourage the Target Company to increase its demand for processing services provided by Scud Battery. Increased demand from the Target Company stemming from strong growth in the motive battery sector will make up for the decreased demand attributed to the slowing down of the handheld smart device sector, allowing Scud Battery to put its production capacity to good use.

Scud Battery has, from its production of lithium-ion battery modules for handheld smart devices, accumulated valuable know-how in the design and production of lithium-ion battery protection boards. Investing into the Target Company allows Scud Battery to partner closely with the Target Company in the production of motive batteries. Scud Battery can, through its provision of processing services for printed circuit boards of motive batteries, apply and improve its know-how in the motive battery sector and accumulate sector knowledge. The Directors hope that a closer partnership between Scud Battery and the Target Company can allow Scud Battery to innovate in the motive battery sector and explore future development opportunities in this sector.

The Target Company recorded net profits in the last three financial years. The Directors are of the opinion that the Target Company is highly competitive in the medium and small motive battery market and is expected to enter a phase of rapid growth in the near future. The compound growth rate of revenue, main business income and net profit of the Target Company from 2019 to 2021 is 35.12%, 29.62% and 206.75% respectively. The Target Company record a 40% drop in its profit in

2021 from that of 2020 because in 2020 it recorded non-operating income of RMB16,871,600 (including liquidated damages of RMB11,397,700 and government subsidies of RMB4,344,100). After the exclusion of these non-recurring income, the Target Company's profit for 2021 is comparable to that of 2020. Also, the Target Company increased its R&D cost by approximately 41.1% in 2021 from that of 2020. As a result, the Target Company did not record an increase in profit although its operating income increased by approximately 15% when compared with that of 2020. The Directors believe the decrease in profit of the Target Company in 2021 from that of 2020 was not due to slowdown of business growth but rather, signifies the Target Company's business development phase. The Directors are optimistic in the growth potential of the Target Company.

The Directors believe that the Target Company is of a high and long-term investment value and that the Acquisition will create a long term and mutually beneficial strategic partnership between Scud Battery and the Target Company. After the completion of the Acquisition, Scud Battery will, as a shareholder of the Target Company, be entitled to dividends declared by the Target Company. The Target Company has not declared or distributed any dividend since incorporation. The management of the Target Company were of the view that the Target Company is still in the growth phase and its retained earnings should be retained to fund costs of future R&D and potential expansion. The Directors agree with this view and believe R&D is crucial to the long-term development of the Target Company. The Directors are optimistic that the potential growth brought by R&D investment of the Target Company may bring about increased dividends in the future years as the Target Company enters the maturity phase. Any increase in value of the Target Company may also increase the share value of the Company. Whilst it is not the Group's intention to have this as a short term investment, should Scud Battery elect to dispose of its shares in the Target Company, it may do so at its discretion as there are no restrictions on the transfer of shares of the Target Company. The Directors are optimistic in the growth potential of the motive battery sector and believe this sector will become increasingly attractive to investors in the near future. On such basis and in view of the strong growth track record of the Target Company, the Directors are of the view that the Target Company will be an attractive target for investors and that shares in the Target Company are likely to be highly desirable.

Scud Battery acquired the right to use the Land from the Natural Resources and Planning Bureau of Mawei District in 2006. Scud Battery intended to use the Land for possible expansion of the Scud Industrial Park in 2019. As the existing infrastructure of the Scud Industrial Park is adequate for the business needs of the Group, the Land has not been put into use. The Directors are of the opinion that using the Land Use Rights and Building Ownership Rights as consideration of the Acquisition will allow the Group to make effective use of its idle resources in exchange for assets with high and long-term investment value without incurring any cash outflow.

Based on the above, the Directors consider that (i) the terms of the Investment Agreement and the transactions contemplated thereunder, including the Consideration, are fair and reasonable and on normal commercial terms and (ii) whilst the Acquisition is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Investment Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolution approving the Investment Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of each of the Acquisition and the Disposal exceeds 5% but are all less than 25%, each of the Acquisition and the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company 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 therefore, the Target Company is a connected person of the Company under the Listing Rules. As such, each of the Acquisition and the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Investment Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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 Investment Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, after taking into account the recommendations of Red Solar Capital.

THE EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Investment Agreement and the transactions contemplated thereunder. Mr. Fang Jin and his associates will be required to abstain from voting on the resolution to be proposed at the EGM.

It is expected that a circular containing, among other things, information in relation to the Acquisition, 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 28 November 2022.

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

“Acquisition”	the acquisition of 5.68% equity interest in the Target Company in accordance with the Investment Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Building Ownership Rights”	have the meaning ascribed to it in the section headed “The Investment Agreement – Consideration” in this announcement
“Business Days”	any day, other than statutory holidays in the PRC, on which commercial banks in the PRC are open for business and days declared by the General Office of the State Council of the PRC as working days
“Company”	Veson Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	the completion of the Acquisition
“Conditions Precedent”	have the meaning ascribed to it in the section headed “The Investment Agreement – Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	has the meaning ascribed to it in the section headed “The Investment Agreement – Consideration” in this announcement
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company

“Disposal”	the use of the Land Use Rights and Building Ownership Rights as consideration of the Acquisition
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder
“Fujian Penghao”	福建鵬昊投資合夥企業(有限合夥) (Fujian Penghao Investment Partnership (Limited Partnership)*), owned approximately 3.05% of the Target Company as at the date of this announcement
“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)*), owned approximately 0.6% of the Target Company as at the date of this announcement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Heng Ja Wei Victor, Mr. Lam Yau Yiu and Mr. Cheung Wai Kwok Gary, formed for the purpose of advising the Independent Shareholders in respect of the Investment Agreement and the transactions contemplated thereunder
“Independent Enterprise Valuer”	聯合中和土地房地產資產評估有限公司 (United Zhonghe Land Real Estate Asset Appraisal Co. Ltd.*), the independent enterprise valuer appointed by the Company
“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 as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement and the transactions contemplated thereunder

“Independent Property Valuer”	正衡資產評估房地產估價(福建)有限公司 (Zhengheng Asset Appraisal Real Estate Appraisal (Fujian) Co., Ltd.*), the independent property valuer appointed by the Company
“Independent Shareholder(s)”	the Shareholders who are not required to abstain from voting at the EGM
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) the Company as far as the Directors are aware after having made all reasonable enquiries
“Investment Agreement”	the investment agreement dated 7 November 2022 entered into between Scud Battery and the Target Company in relation to the Acquisition
“Land”	the entire block 2 of Scud Battery Industrial Park, No. 135 Rujiang East Road, Mawei Town, Mawei District (馬尾區馬尾鎮儒江東路135號飛毛腿電池工業園門衛2整座) in Fuzhou, the PRC
“Land Use Right Certificate”	the land use right certificate of the Land and the buildings erected on the Land
“Land Use Rights”	have the meaning ascribed to it in the section headed “The Investment Agreement – Consideration” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Fang Ming”	Ms. Fang Ming, sister of Mr. Fang Jin
“Mr. Fang Jin”	Mr. Fang Jin, the controlling Shareholder which held 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
“Mr. Fang Yubin”	Mr. Fang Yubin, owned the Target Company as to approximately 93.95% as at the date of this announcement and is the son of Mr. Fang Jin
“Mr. Xu”	Mr. Xu Chao, owned approximately 2.4% of the Target Company as at the date of this announcement
“ODM”	original design manufacturing

“Party(ies)”	parties to the Investment Agreement
“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, which shall, for the purposes of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Processing Framework Agreement”	the framework agreement for provision of processing services dated 25 November 2021 entered into between Scud Battery as the provider of processing services and the Target Company as one of the receivers of processing services
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares of the Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	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
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1 = HK\$1.0869 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

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

Hong Kong, 7 November 2022

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