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SANERGY

SANERGY GROUP LIMITED

昇能集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2459)

SHARE TRANSACTION

**ACQUISITION OF RIGHTS AND OBLIGATIONS
UNDER A SALE AND PURCHASE AGREEMENT
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

BACKGROUND

Having considered the expected growth of demand for lithium-ion batteries in overseas electrical vehicles and energy storage system markets, the Directors consider that it is a prime time for the Group to expand into the GAM market by establishing its own GAM production plant. Given that the Narni 1 Land is adjacent to the Group's existing graphite electrode production plant in Narni, Italy which is expected to manifest the synergies from the common process technologies between graphite electrode and GAM such as baking and graphitization, the Directors have resolved to enter into the Deed of Assignment with a view to, effectively, buying back the Narni 1 Land for establishing its own GAM production plant in Europe.

DEED OF ASSIGNMENT

On 13 November 2023 (after trading hours), Baochang as the Assignor, Gosource as the Assignee and the Company entered into the Deed of Assignment, pursuant to which the Assignor conditionally agreed to assign to the Assignee all of its rights, obligations and interests under the Sub-sale Agreement, including any sums paid by the Assignor under the Sub-sale Agreement, at a total consideration of US\$5.5 million (equivalent to approximately HK\$43.0 million), among which US\$4.6 million (equivalent to approximately HK\$36.0 million) shall be satisfied by way of allotment and issuance of the Consideration Shares (credited as fully paid) by the Company to the Assignor under the General Mandate.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Transaction are less than 5%. However, as the Consideration will be satisfied by the allotment and issuance of the Consideration Shares, the Transaction constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Transaction contemplated under the Deed of Assignment is subject to satisfaction of a condition precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

BACKGROUND

As disclosed in the Prospectus, on 16 March 2021, SGL and Gosource entered into a sale and purchase agreement (the “**Original Agreement**”), pursuant to which among others SGL agreed to sell, and Gosource agreed to purchase, the Narni 1 Land upon fulfilment of the conditions precedents as set out in the Original Agreement. As at the date of this announcement, completion of the Original Agreement is yet to take place. The long stop date of the Original Agreement is 30 June 2024 (or such later date as agreed by both parties).

Subsequently on 19 July 2021, Gosource and Baochang entered into a deed of sale and purchase (the “**Sub-sale Agreement**”), pursuant to which the parties agreed, among others, that Gosource shall sell, and Baochang shall purchase, the Narni 1 Land at an estimated consideration of approximately EUR2.2 million (equivalent to approximately HK\$18.0 million) (which comprised (i) the Narni 1 Land (exclusive of VAT); (ii) the costs accumulated up to 2 February 2021 (inclusive of VAT); and (iii) other estimated costs associated to fees payable on behalf of Baochang for this acquisition, that may further increase until completion and subject to confirmation and approval by the parties).

Having considered the expected growth of demand for lithium-ion batteries in overseas electrical vehicles and energy storage system markets, the Directors consider that it is a prime time for the Group to expand into the GAM market by establishing its own GAM production plant. Given that the Narni 1 Land is adjacent to the Group’s existing graphite

electrode production plant in Narni, Italy which is expected to manifest the synergies from the common process technologies between graphite electrode and GAM such as baking and graphitization, the Directors have resolved to enter into the Deed of Assignment with a view to, effectively, buying back the Narni 1 Land for establishing its own GAM production plant in Europe.

THE DEED OF ASSIGNMENT

On 13 November 2023 (after trading hours), Baochang as the Assignor, Gosource as the Assignee and the Company entered into the Deed of Assignment, pursuant to which the Assignor conditionally agreed to assign to the Assignee all of its rights, obligations and interests under the Sub-sale Agreement, including any sums paid by the Assignor under the Sub-sale Agreement, at a total consideration of US\$5.5 million (equivalent to approximately HK\$43.0 million), among which US\$4.6 million (equivalent to approximately HK\$36.0 million) shall be satisfied by way of allotment and issuance of the Consideration Shares (credited as fully paid) by the Company to the Assignor under the General Mandate.

The principal terms of the Deed of Assignment are set out below:

Date : 13 November 2023

Parties : (1) Baochang, as the Assignor;
(2) Gosource, an indirect wholly-owned subsidiary of the Company, as the Assignee; and
(3) The Company

For detailed background of the parties, please refer to “Information on the Parties” below.

Subject matter : Pursuant to the terms of the Deed of Assignment, all rights, obligations and interests under the Sub-sale Agreement for the sale and purchase of the Narni 1 Land have been assigned by the Assignor to the Assignee.

Consideration : US\$5.5 million, equivalent to approximately HK\$43.0 million. The Consideration (including the issue price for the Consideration Shares) was determined after arm’s length negotiations between the parties with reference to, among others, (i) the value of the Narni 1 Land as at 20 September 2023 of EUR5.7 million (equivalent to approximately HK\$47.4 million), as appraised by the Independent Valuer; (ii) the prepayment of EUR0.9 million (equivalent to approximately HK\$7.5 million) by Baochang under the Sub-sale Agreement; and (iii) the net receivables, such as maintenance costs associated with the Narni 1 Land which has been paid by the Assignee for and on behalf of the Assignor and shall be repaid by the Assignor to the Assignee upon completion of the Sub-sale Agreement, of approximately US\$0.9 million (equivalent to approximately HK\$7.0 million (the “**Net Receivables**”)). The net consideration of US\$4.6 million (equivalent to approximately HK\$36.0 million) shall be satisfied by way of allotment and issue of 10,000,000 Consideration Shares to Baochang, at the issue price of HK\$3.6 per Consideration Share upon completion under the General Mandate credited as fully paid.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms and the Transaction is in the interests of the Company and the Shareholders as a whole.

Consideration Shares : A total of 10,000,000 Consideration Shares will be allotted and issued, representing 1.00% of the existing issued share capital of the Company as of the date of this announcement and approximately 0.99% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The issue price of HK\$3.60 per Consideration Share represents:

- (a) a discount of approximately 17.2% to the closing price of HK\$4.35 per Share as quoted on the Stock Exchange on the date of the Deed of Assignment;
- (b) a discount of approximately 16.7% to the average closing price of HK\$4.32 per Share as stated in the Stock Exchange’s daily quotation sheets for the last five consecutive trading days immediately preceding the date of the Deed of Assignment; and
- (c) a discount of approximately 17.9% to the average closing price of HK\$4.39 per Share as stated in the Stock Exchange’s daily quotation sheets for the last ten consecutive trading days immediately preceding the date of the Deed of Assignment.

The Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 200,000,000 new Shares, representing 20% of the total issued Shares of the Company as of the date on which the General Mandate was granted. Accordingly, the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued and fully paid, will rank *pari passu* in all respects with each other and with the Shares in issue at the time of issue of the Consideration Shares.

Condition Precedent : The Completion is conditional upon the Stock Exchange granting listing of and permission to deal in the Consideration Shares (and that such granting and permission are not withdrawn prior to Completion).

Completion : Completion shall take place within seven business days (or such later date as the parties may agree) upon the fulfillment of the condition precedent.

Termination : The Deed of Assignment shall automatically be terminated if any one of the following events ("**Event of Default**") occurs:

- (i) breach of any term of the Deed of Assignment by the Assignor;
- (ii) failure of the Assignee to obtain clear title of the Narni 1 Land caused by the default of the Assignor; or
- (iii) termination of the Original Agreement due to SGL.

If any one of the Event of Default occurs, the parties agree that, within fourteen (14) days from the occurrence of the Event of Default,

- (i) the Company shall repurchase the Consideration Shares in full free from any charges and/or encumbrances at a nominal consideration of HK\$1.00, and the Assignor shall fully cooperate with the Company and take any action necessary to effect such repurchase of the Consideration Shares;
- (ii) the Assignee shall (i) return to the Assignor the net prepayment of approximately EUR0.8 million (equivalent to approximately HK\$6.7 million); and (ii) waive the Assignor's obligation to settle the Net Receivables; and
- (iii) the parties shall do and perform all such acts and execute all such documents to terminate the Sub-sale Agreement at the expenses of the Assignor.

INFORMATION ON THE PARTIES

Information on the Company, the Group and the Assignee

The Company is an exempted company with limited liability incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange. The Group is a global manufacturer of UHP graphite electrodes with a worldwide customer base in over 25 countries comprising major global electric arc furnace steel manufacturers in Americas, Europe, the Middle East and Africa, Asia Pacific and the PRC that sell its products to the automotive, infrastructure, construction, appliance, machinery, equipment and transportation industries.

The Assignee is a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company. Its principal business is investment holding.

Information on the Assignor

The Assignor is a company established under the laws of the PRC which is engaged in the import and export of various products.

The Assignor and its shareholders are Independent Third Parties to the Group to the best of the Directors' knowledge, information and belief having made all reasonable enquiries.

VALUATION OF THE NARNI 1 LAND

According to the valuation report issued by the Independent Valuer, the market value of the Narni 1 Land was determined using the cost approach, which is based on the cost which would have to be incurred to replace the property under consideration with a new asset with the same characteristics and utility. This cost should be reduced by depreciation deriving from the relevant conditions: utility, use state, functional obsolescence, useful life, remaining useful life etc. compared with new assets of the same type. The value of the land valued by the comparative method should be added to the resulting figure. When assessing replacement costs the following should be taken into account:

- the current market price for materials, labour, manufactured items, overheads, profits and fees;
- the costs of installation and connection; and
- financial charges over the construction period.

The Independent Valuer has considered all the three approaches, namely cost approach, income approach and market approach in the valuation exercise. The market approach and income approach have not been applied for the appraised property considering the limitation due to the peculiarity of the property and its location. The local reference market is illiquid for similar kind of assets, and the property is an instrumental good intended to owner-user industrial activities which is not an income producing asset meant to be rented as for investment scope. On the other hand, the cost approach reflects the specific typologies and technologies of the property considering the ages/structures/maintenance conditions etc. and thus the Independent Valuer considered that using cost approach would be the most suitable for the valuation of the Narni 1 Land.

The valuation was also subject to the following major assumptions and limitations:

- (a) any environmental liabilities affecting the property has not been considered. “Environmental liabilities” will mean any costs to be incurred to avoid environmental damage or to modify situations which do not comply with current environmental regulations;
- (b) all required licenses, permits, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this valuation; and
- (c) the valuation specifically excludes the examination of the environmental impact of hazardous or potentially hazardous substances (asbestos, formaldehyde, toxic waste etc.) or the structural damage and contamination caused by earthquakes.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Stepping into the second half of 2023, the Directors have reviewed its business direction and long-term strategy and considered that the expected growth of demand for lithium-ion batteries in overseas electrical vehicles and energy storage system markets provides a prime opportunity to expand into the GAM market. The Group has proactively been seeking opportunities for developing GAM production in Europe and exploring research and development of synthetic GAM. Setting up its own GAM production plant becomes a milestone target of the Group.

Since the Narni 1 Land is adjacent to the Group’s existing graphite electrode production plant in Narni, Italy and it is expected that synergies would be manifested from the common process technologies between graphite electrode and GAM such as baking and graphitization, the Directors consider that the Narni 1 Land is ideal for the Group to establish a GAM production plant to pursue the European GAM Project in terms of (i) the availability of suitable sites in Europe; (ii) the location of those sites; and (iii) the costs of setting up a factory suitable for the production of GAM. In addition, the Directors consider that the issuance of the Consideration Shares provides financial flexibility for the Group to develop the European GAM Project.

In view of the above, the Directors consider that the terms of the Transaction are fair and reasonable and the entering into of the Transaction is in line with the business development of the Group and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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Shareholders and potential investors should note that the Transaction contemplated under the Deed of Assignment is subject to satisfaction of a condition precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Assignee” or “Gosource”	Gosource Group Limited (高碩集團有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company
“Assignor” or “Baochang”	Tianjin Binhai New District Baochang Shipping Investment Management Co., Ltd.* (天津濱海新區保昌船舶投資管理有限公司), which is owned as to 90% and 10% by Yang Chao and Liu Xiao Hao, both Independent Third Parties, respectively
“Board”	the board of Directors
“business day(s)”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“Company”	Sanergy Group Limited (昇能集團有限公司), a company incorporated in the Cayman Islands on 26 June 2018 as an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2459)
“Completion”	completion of the Transaction in accordance with the terms and conditions of the Deed of Assignment
“Consideration”	the consideration of US\$5.5 million, equivalent to approximately HK\$43.0 million
“Consideration Shares”	10,000,000 new Shares to be allotted and issued by the Company at the issue price of HK\$3.60 to the Assignor pursuant to the terms of the Deed of Assignment
“Deed of Assignment”	the deed of assignment entered into between the Assignor, the Assignee and the Company on 13 November 2023
“Director(s)”	director(s) of the Company
“EUR”	Euro, the lawful currency of the member states of the European Union

“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 19 May 2023, which allowed the Directors to allot, issue and/or deal with up to 200,000,000 new Shares, representing 20% of the total number of issued Shares as of the date on which such general mandate was granted
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent from the Company and its connected persons, as well as the Company’s Directors, chief executive officer (or equivalent), substantial shareholders and their respective associates (as defined under the Listing Rules)
“Independent Valuer”	Kroll (HK) Limited, an independent professional valuer appointed by the Company for the valuation of the Narni 1 Land
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Narni 1 Land”	a land, together with the buildings and tangible assets located in Narni 1, Narni Scalo (TR) 05035, Via del Lavoro, 8, Italy
“PRC”	the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus issued by the Company dated 30 December 2022
“SGL”	SGL Carbon S.p.A, a company organised under the laws of Italy
“Share(s)”	ordinary share(s) with nominal value of US\$0.01 each in the issued capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”	The assignment of the rights and obligations under the Sub-sale Agreement from the Assignor to the Assignee pursuant to the Deed of Assignment
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

By Order of the Board
SANERGY GROUP LIMITED
Peter Brendon Wyllie
Executive Director and Chairman of the Board

Hong Kong, 13 November 2023

As at the date of this announcement, the Board comprises (i) Mr. Peter Brendon Wyllie (chairman of the Board), Dr. Wei-Ming Shen, Mr. Yan Haiting and Mr. Hou Haolong as executive Directors; (ii) Mr. Wang Ping as non-executive Director; and (iii) Mr. Cheng Tai Kwan Sunny, Mr. Ngai Ming Tak Michael and Ms. Chan Chore Man Germaine as independent non-executive Directors.

* *For identification purpose only*