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STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

國能集團國際資產控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 918)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF TIMEPIECES AND ACCESSORIES BUSINESS

The Board wishes to announce that on 24 May 2022 (after trading hours), the Company as purchaser and the Vendor as vendor entered into a sale and purchase agreement pursuant to which the Company has agreed to acquire, and the Vendor has agreed to sell, the Sale Share at a total consideration of HK\$50,000,000 which will be satisfied by the Company in cash.

Subject to the satisfaction or (as the case may be) waiver of all the conditions precedent under the Agreement, Completion shall take place on the Completion Date or such other time as may be agreed between the Company and the Vendor.

As the applicable percentage ratios (as defined under the Listing Rules) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but all applicable percentage ratios are less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 24 May 2022 (after trading hours), the Company and the Vendor entered into the Agreement in relation to the Acquisition, pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at a total cash consideration of HK\$50,000,000.

THE AGREEMENT

Date

24 May 2022

Parties

- (i) The Company; and
- (ii) The Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Company has agreed to purchase and the Vendor has agreed to sell the Sale Shares, which represents the entire issued share capital of the Target Company.

The Sale Shares will be acquired free of liens, encumbrances and other claims and together with all rights attaching thereto as at the date of the Agreement, including the right to receive dividends and distributions declared, made or paid after the date of the Agreement.

Consideration and payment terms

The Consideration is HK\$50 million and shall be paid by the Company to the Vendor in cash in the following manner:

- (i) HK\$5 million as initial deposit which has been paid upon signing of the Agreement; and
- (ii) the balance in the sum of HK\$45 million be paid upon Completion.

The Consideration will be financed by the internal resources of the Company. Reference is also made to the announcement of the Company dated 19 May 2022 on placing of 38,252,510 new Shares of the Company, the net proceeds in the sum of approximately HK\$8,000,000 will be fully utilised to pay part of the Consideration of the Acquisition.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the net asset value of the Target Company as at 31 March 2022 of approximately HK\$49.4 million; and (ii) the reasons for and benefits of the Acquisition as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below.

In view of the above, the Directors consider that the Consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Agreement is conditional upon the following conditions precedent:

- (a) the Company having completed and satisfied with the results of the Due Diligence Investigation;
- (b) the transactions contemplated under the Agreement and the performance of the Vendor's and the Company's obligations under the Agreement are in compliance with the Listing Rules and all other applicable laws and regulations;
- (c) all other necessary consents and approvals required to be obtained on the part of the Vendor, the Company and/or the Target Company in respect of the Agreement and the transactions contemplated hereunder having been obtained and such consents and approvals not having been revoked; and
- (d) The Warranties remain true, correct and not misleading in all respects upon Completion, as if it is repeated at all times from the date of the Agreement to the Completion.

The Vendor shall use its reasonable endeavours to satisfy the above conditions (except condition (a)) whereas the Company shall use its reasonable endeavours to satisfy the above conditions (except condition (d)) at any time on or before 5 p.m. on the Long Stop Date.

The Company may, at its absolute discretion at any time, waive in writing any of the above conditions (except conditions (b) and (c)). If all the above conditions have not been satisfied or waived by 5 p.m. on the Long Stop Date, the Agreement shall terminate and cease to have effect on the Long Stop Date except for any rights, remedies, obligations or liabilities of the Vendor and the Company that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the Agreement which existed at or before the date of termination.

On termination of the Agreement, the Vendor shall refund the initial deposit in the sum of HK\$5,000,000 without interests to the Company within three Business Days after the Long Stop Date.

Completion

Subject to the satisfaction or waiver of the above conditions, Completion shall take place at 4 p.m. on the Completion Date or at such other time as may be agreed between the parties to the Agreement.

Upon Completion, the Group will own the entire issued share capital of the Target Company, each member of the Target Group shall become subsidiaries of the Company. The financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE TARGET GROUP

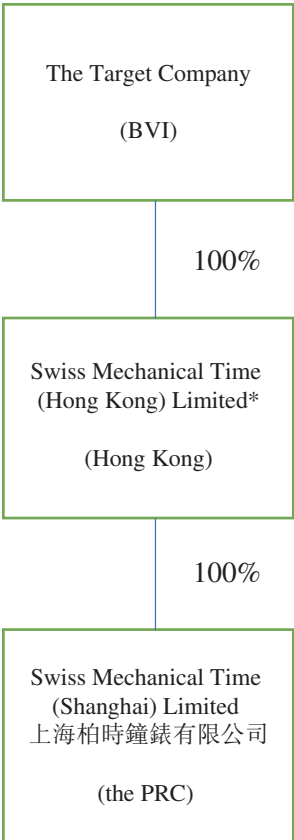
Corporate structure

The Vendor is an investment holding company and wholly-owned by Apollo Future Mobility Group Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Stock Exchange (stock code: 860).

As at the date of this announcement, the Target Company is a limited liability company incorporated in the BVI and an investment holding company. It has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which 10,000 shares having been issued to and is fully paid up by the Vendor.

The Target Group is the exclusive distributor of the Products bearing the trademarks of GIRARD-PERREGAUX and JEANRICHARD through its distributors in the territories of the PRC, Macau, Hong Kong and Taiwan.

The corporate structure of the Target Group as at the date of this announcement is as follows:



* Swiss Mechanical Time (Hong Kong) Limited operates a branch office in Taiwan namely Swiss Mechanical Time (Hong Kong) Limited, Taiwan Branch

Financial information

The unaudited consolidated financial information of the Target Group for the years ended 31 December 2020 and 2021, as extracted from its unaudited consolidated financial statements for the years ended 31 December 2020 and 2021, are set out below:

	For the year ended	
	31 December	
	2021	2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation	25,225,284	16,849,315
Loss after taxation	25,226,719	17,048,361

According to the unaudited consolidated financial information of the Target Group, the unaudited amount of net assets of the Target Group as at 31 March 2022 was approximately HK\$49.4 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) garment business by sourcing, subcontracting, marketing and sales of garments and sportswear products in the PRC which are then exported to overseas market. In December 2018, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong; (ii) marketing and promotional services — the Group offers marketing and promotional services at online and offline platforms for external customers and a related company. The Group provides services including market analysis, planning of marketing and promotional campaigns, new product launching, product development and market positioning, setting up and management of online shops, design of advertisements and promotional materials, product packaging designs, and displays of physical and online shops, etc. The marketing division is also engaged in organising events such as annual meetings, product launch or marketing conferences, roadshows and exhibitions for external customers; and (iii) property investment.

With the Group's vast experiences and network in branded consumer's garments and sportswear products, the Directors considered that the Acquisition represented a good opportunity for the Company to laterally expand to branded timepieces and accessories would create a platform for business cooperation of the Group with international reputable brands of timepieces and accessories and help broaden the source of income of the Company. The Acquisition would also complement the marketing and promotional business of the Group as the Target Group would require advertising and promotional services from time to time.

The Board is also of the view that the Target Group, being the exclusive distributor of the Products bearing the trademarks of GIRARD-PERREGAUX and JEANRICHARD in the territories of the PRC, Hong Kong and Taiwan, has much potential for the Company's business expansion in those regions.

The Directors believe that the Acquisition serves as a lateral expansion of the Group's business in sale, trading, distribution, and processing of branded consumer products, the Acquisition is in the best interest of the Company and the terms of the Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the Listing Rules) for the Acquisition exceeds 5% and all of such ratios are below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment (or waiver, if applicable) of the conditions precedent under the Agreement, and Completion may or may not take place. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 24 May 2022 and entered into between the Company and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	British Virgin Island
“Company”	State Energy Group International Assets Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 918)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Shares and the Shareholder’s Loan in the sum of HK\$50 million
“Director(s)”	director(s) of the Company
“Due Diligence Investigation”	the legal, financial, business and other due diligence investigation in respect of the assets, liabilities, businesses, prospects and other affairs of the Target Group

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2022, or such later date as the Vendor and the Company may agree in writing
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Products”	timepieces and accessories, bearing the trademarks of GIRARD-PERREGAUX or JEANRICHARD
“Sale Shares”	the issued 10,000 ordinary share of a par value of US\$1 each in the capital of the Target Company legally and beneficially owned and held by and registered in the name of the Vendor
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sinoforce Group Limited, a company incorporated under the laws of the BVI and the entire issued share capital of which is held by the Vendor as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries

“Vendor”	MING FUNG INVESTMENT HOLDINGS LIMITED 明豐投資控股有限公司, a company with limited liability incorporated under the laws of the BVI with limited liability and wholly owned by Apollo Future Mobility Group Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Stock Exchange (stock code: 860)
“Warranties”	the warranties, representatives and undertakings given by the Vendor under the Agreement
“HK\$”	Hong Kong dollar(s), the lawful currency for the time being of Hong Kong
“US\$”	United States dollar(s), the lawful currency for the time being of the United States of America
“%”	per cent.

By Order of the Board
State Energy Group International Assets Holdings Limited
Zhang Jinbing
Chairman

Hong Kong, 24 May 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Jinbing, Mr. Tian Wenxi and Mr. Wu Tingjun; and the independent non-executive Directors of the Company are Ms. Choi Ka Ying, Mr. Chen Conghu and Ms. He Xiaodong.