

ASX ANNOUNCEMENT

Date: 8 January 2020

ASX:ACB

Off Market Share Transfer subject to ASIC Review and EGM Shareholder Approval

A-Cap Energy Limited (**A-Cap** or the **Company**) has been informed by substantial shareholder Jiangsu Shengan Resources Group Co., Ltd, (**Jiangsu**) of a conditional off market transfer of its relevant interest in 357,786,934 fully paid shares in the Company to Singapore Shenke International Investment Pte. Ltd (**Shenke**) which was entered into on 21 December 2019 (**Proposed Transaction**).

Jiangsu is listed on the National Equities Exchange and Quotations in China and currently holds 357,786,934 fully paid ordinary shares in A-Cap representing approximately 41.04% of the total issued capital of A-Cap.

Shenke is a private company incorporated in Singapore and is a wholly owned subsidiary of Shenke Holdings Ltd which is registered in Zhuji, Zhejiang, China. Shenke owns and manages a portfolio of global investment and business interests. The main business activity of the company is currently wholesale and distribution of heavy engineering equipment and bearings to global markets. A-Cap understands that Shenke has plans to expand its business interests and investments into the mining sector. Mr Jiandong He is a director and chairman of both Shenke and Shenke Holdings Ltd. Mr Jiandong He beneficially owns and controls all the voting power of Shenke through his control of Shenke Holdings Ltd. As at the date of this announcement, Mr Jiandong He holds voting power of 12.36% in Jiangsu. Mr Jiandong He holds nil voting power in A-Cap.

Section 606 of the Corporations Act 2001 (Cth) (**Corporations Act**) contains a general prohibition on a person acquiring a relevant interest in issued voting shares in a company listed on the ASX through a transaction which results in the voting power in the company of that person or another person increasing from below 20% to more than 20% or from a starting point of more than 20% to a higher percentage. The Proposed Transaction has the effect that Shenke and Mr Jiandong He increase their voting power in the Company beyond 20%. Section 611 (item 7) of the Corporations Act contains an exception which allows a person to acquire a relevant interest in a company's voting shares in excess of the 20% threshold where shareholder approval is obtained.

As such, completion of the Proposed Transaction is subject to approval by A-Cap's shareholders being received at the General Meeting (as defined below). Shareholder approval to be sought in connection with the Proposed Transaction must be passed as an ordinary resolution.



(ABN 28 104 028 542)

Jiangsu released an exchange announcement to the New Third Board on 23 December 2019 confirming Jiangsu shareholder approval of the conditional off-market transfer, which transfer is subject to the following material terms and conditions:

- a. Receipt of all necessary regulatory, board and shareholder approvals relating to the off-market transfer.
- b. Within six months from the date of receipt of all necessary regulatory, board and shareholder approvals relating to the off-market transfer in condition (a), Shenke to provide an undertaking to release the right pledge guarantee provided by Jiangsu to the Industrial and Commercial Bank of China Co., Ltd. Shanghai Hongqiao Business District Sub-branch (ICBC) held for US\$5 million by any of the following ICBC right pledge guarantee release options:
 - i. providing a cash deposit to replace Jiangsu existing security deposit held by ICBC against A-Cap's borrowings from ICBC for US\$5 million;
 - ii. providing A-Cap with all the cash funds required to repay the principal and interest of its ICBC loan for US\$5 million in advance of the loan repayment dates; or
 - iii. other ways to facilitate the release of Shenke security deposit held by ICBC against A-Cap's borrowings from ICBC for US\$5 million including co-operating with A-Cap and its substantial shareholders to raise additional capital.

The off-market transfer will be held in escrow by A-Cap pending completion of the conditions listed above. If the off-market transfer fails to meet the conditions within twelve months from 21 December 2019 (i.e. the date of the conditional off-market transfer agreement), the off-market transfer will no longer take effect unless Jiangsu and Shenke agree otherwise.

Although not a condition of the Proposed Transaction, following further discussions with Jiangsu and Shenke in relation to the Proposed Transaction, A-Cap has been advised that it has been agreed between Jiangsu and Shenke that Mr Angang Shen and Mr Chenghu Zhu will retire from the A-Cap board, and both Mr Angang Shen and Mr Chenghu Zhu had informed the Company that it is their intention to so resign, and two (2) additional non-executive directors, Mr Jiandong He and Mr Meng Weijun, be appointed to the A-Cap board subject to approval by A-Cap's shareholders being received in respect of all resolutions presented at the General Meeting.

Mr Meng Weijun is not a director or shareholder of Shenke or Shenke Holdings Pty Ltd. Mr Meng Weijun holds voting power of 13.30% in Jiangsu. Mr Meng Weijun holds Nil voting power in A-Cap. Mr Meng Weijun is the general manager and deputy chairman of Zhejiang Jiyang Construction Group Co. Ltd, a public company in China and also currently serves as a non-executive director of Jiangsu Protruly Vision Technology Group Co., Ltd in China. Mr Meng Weijun previously served as director and president of Taiyuan Lionhead Cement CO., Ltd. in China.

The remuneration of A-Cap's non-executive directors are paid out of a pool of remuneration that has been approved by A-Cap's shareholders in its latest annual general meeting.

A-Cap's independent directors have considered the Proposed Transaction for the purposes of purposes of section 611 (item 7) of the Corporations Act and ASIC Regulatory Guide 74. Taking into account the expertise, qualification and experience relating to the circumstances of the Proposed Transaction and, for the purposes of providing shareholders with all material information relevant to the Proposed Transaction, the independent directors have carefully considered and analysed:

- the advantages and disadvantages of the Proposed Transaction; and
- the purpose and outcome of the Proposed Transaction.

In particular the A-Cap independent directors consider that:

- the terms of the Proposed Transaction are not fair but reasonable; and
- the Proposed Transaction together with the appointment of Mr Jiandong He and Mr Meng Weijun to the A-Cap board (to replace current directors Mr Angang Shen and Mr Chenghu Zhu who have indicated their intention to resign), are in the best interests of the Company. In relation to the appointment of the two new directors A-Cap independent directors are of the view that the appointments will assist the satisfaction of the conditions to the Proposed Transaction as well as providing additional board networks and experience to advance the Company's ongoing capital markets activities.

Consistent with the above, A-Cap filed a draft of the notice of extraordinary general meeting and explanatory notes with ASIC on 7 January 2020 for its review and clearance to call and convene a general meeting (the **General Meeting**) of shareholders with 28 days' notice for the purpose to vote on a proposed resolution to accept the Proposed Transaction and approve the appointment of two (2) new directors to the A-Cap board. Subject to ASIC approval of the draft notice of notice of extraordinary general meeting and explanatory notes, the Company is planning to release the General Meeting notice approximately mid-January 2020 and convening the General Meeting with 28 days' notice thereafter.

Accordingly, A-Cap independent directors recommend shareholders vote in favour of the resolution to accept the Proposed Transaction and resolutions for the appointment of two (2) new directors to the A-Cap board.



For further information, please contact John Fisher-Stamp on +61 8 9467 2612, email info@a-cap.com.au.

The Voluntary Suspension in the Company's shares can now be lifted.

For an on behalf of the board of
A-Cap Energy Limited

John Fisher-Stamp
Director