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Trendzon Holdings Group Limited
卓航控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1865)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY**

THE ACQUISITION

Reference is made to the voluntary announcement of the Company dated 3 November 2022 in relation to the entering into a memorandum of understanding with the Vendor for the possible conditional acquisition of the controlling interest in the Target Company by the Company (or a wholly-owned subsidiary of the Company nominated by the Company).

The Board is pleased to announce that on 9 May 2023 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration.

Through the acquisition of the Target Company, the Group will be able to promote various pipe fitting products required by the Group's main pipeline engineering business and accelerate the application and development of industrial Internet information technology for the industrial enterprises and industries in the Trendzon Zhongshan-Diandian Science and Technology Innovation City* (中山卓航•點點科創城) in which the Group has invested. This will also promote the deep integration of the new generation of industrial technologies with the manufacturing industry, realize the development of data, network and intelligence, gradually build up a brand-new manufacturing and service system, promote transformation and upgrade of the industrial enterprises in the park, and continue to promote sustainable development.

Upon Completion, the Purchaser will own the entire issued share capital of the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirement under Chapter 14 of the Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the voluntary announcement of the Company dated 3 November 2022 in relation to the entering into a memorandum of understanding with the Vendor for the possible conditional acquisition of the controlling interest in the Target Company by the Company (or a wholly-owned subsidiary of the Company nominated by the Company).

The Board is pleased to announce that on 9 May 2023 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company, for the Consideration.

As at the date of this announcement, the Target Company is a limited liability company incorporated in Zhongshan, Guangdong Province, the PRC, which is a high-tech intelligent manufacturing technology enterprise focusing on research and development, integrated application of advanced industrial technology, production of various pipe fitting products, fashionable and high quality small household appliances, providing its customers with diversified solutions such as research and development of the above-mentioned products, mold development and integrated application of advanced technology, in order to provide consumers with safe, energy-saving and intelligent household appliances and better explain how technology can change people's livelihood. Through the acquisition of the Target Companies, the Group will be able to promote various pipe fitting products required by the Group's main pipeline engineering business, and accelerate the application and development of industrial Internet information technology for the industrial enterprises and industries in the Trendzon Zhongshan-Diandian Science and Technology Innovation City* (中山卓航•點點科創城) in which the Group has invested. This will also promote the deep integration of the new generation of industrial technologies with the manufacturing industry, realize the development of data, network and intelligence, gradually build up a brand-new manufacturing and service system, promote transformation and upgrade of the industrial enterprises in the park, and continue to promote sustainable development, which in turn allow the Company and the Shareholders to achieve better economic returns.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date: 9 May 2023

Parties: (i) Vendor: Mr. Wang Tinghui (王庭輝)

(ii) Purchaser: Trendzon (Guangzhou) Construction Investment Company Limited* (卓航(廣州)建設投資有限公司)

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. To the best knowledge, information and belief of the Board after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

Subject to the Completion, the Consideration shall be paid by the Purchaser to the Vendor in cash by installments in the following manner:

- (a) 30% of the Maximum Consideration, being the first tranche of the Consideration (the “**First Tranche Consideration**”), shall be paid within 30 days from the date on which the competent local regulatory authority accepts the application for registration of the transfer of the Sale Shares pursuant to the Acquisition;
- (b) the second tranche of the Consideration (the “**Second Tranche Consideration**”) is payable on or before 30 June 2024 and shall be determined in accordance with the applicable formulae in the following:
 - (i) $A = 10\%$ of the Maximum Consideration, if both FY2023 Actual Revenue and FY2023 Actual Profit is equal to or greater than FY2023 Guarantee Revenue and FY2023 Guarantee Profit;
 - (ii) $A = 10\%$ of the Maximum Consideration $\times [(FY2023 \text{ Actual Revenue}/FY2023 \text{ Guarantee Revenue} + FY2023 \text{ Actual Profit}/FY2023 \text{ Guarantee Profit})/2]$, if both FY2023 Actual Revenue and FY2023 Actual Profit is smaller than FY2023 Guarantee Revenue and FY2023 Guarantee Profit;
 - (iii) $A = 10\%$ of the Maximum Consideration $\times (FY2023 \text{ Actual Revenue}/FY2023 \text{ Guarantee Revenue})$, if FY2023 Actual Revenue is smaller than FY2023 Guarantee Revenue, but FY2023 Actual Profit is equal to or greater than FY2023 Guarantee Profit; or

- (iv) $A = 10\%$ of the Maximum Consideration x (FY2023 Actual Profit/FY2023 Guarantee Profit), if FY2023 Actual Profit is smaller than FY2023 Guarantee Profit, but FY2023 Actual Revenue is equal to or greater than FY2023 Guarantee Revenue,

where:

“A” means the Second Tranche Consideration;

“FY2023 Actual Revenue” means the actual revenue of the Target Company for FY2023 as referred to the audit report on the Target Company for FY2023 to be issued by an accounting firm agreed by the Vendor and the Purchaser;

“FY2023 Actual Profit” means the actual profit (after taxation) of the Target Company for FY2023 as referred to the audit report on the Target Company for FY2023 to be issued by an accounting firm agreed by the Vendor and the Purchaser;

“FY2023 Guarantee Revenue” means the guarantee revenue of the Target Company for FY2023, being RMB21,000,000;

“FY2023 Guarantee Profit” means the guarantee profit (after taxation) of the Target Company for FY2023, being RMB1,700,000;

- (c) the third tranche of the Consideration (the “**Third Tranche Consideration**”) is payable on or before 30 June 2025 and shall be determined in accordance with the applicable formulae in the following:

- (i) $B = 10\%$ of the Maximum Consideration, if both FY2024 Actual Revenue and FY2024 Actual Profit is equal to or greater than FY2024 Guarantee Revenue and FY2024 Guarantee Profit;

- (ii) $B = 10\%$ of the Maximum Consideration x [(FY2024 Actual Revenue/FY2024 Guarantee Revenue + FY2024 Actual Profit/FY2024 Guarantee Profit)/2], if both FY2024 Actual Revenue and FY2024 Actual Profit is smaller than FY2024 Guarantee Revenue and FY2024 Guarantee Profit;

- (iii) $B = 10\%$ of the Maximum Consideration \times (FY2024 Actual Revenue/FY2024 Guarantee Revenue), if FY2024 Actual Revenue is smaller than FY2024 Guarantee Revenue, but FY2024 Actual Profit is equal to or greater than FY2024 Guarantee Profit; or
- (iv) $B = 10\%$ of the Maximum Consideration \times (FY2024 Actual Profit/FY2024 Guarantee Profit), if FY2024 Actual Profit is smaller than FY2024 Guarantee Profit, but FY2024 Actual Revenue is equal to or greater than FY2024 Guarantee Revenue,

where:

“B” means the Third Tranche Consideration;

“FY2024 Actual Revenue” means the actual revenue of the Target Company for FY2024 as referred to the audit report on the Target Company for FY2024 to be issued by an accounting firm agreed by the Vendor and the Purchaser;

“FY2024 Actual Profit” means the actual profit (after taxation) of the Target Company for FY2024 as referred to the audit report on the Target Company for FY2024 to be issued by an accounting firm agreed by the Vendor and the Purchaser;

“FY2024 Guarantee Revenue” means the guarantee revenue of the Target Company for FY2024, being RMB26,000,000;

“FY2024 Guarantee Profit” means the guarantee profit (after taxation) of the Target Company for FY2024, being RMB2,100,000; and

- (d) the last tranche of the Consideration (the “**Last Tranche Consideration**”) is payable on or before 30 June 2026 and shall be determined in accordance with the applicable formulae in the following:
 - (i) $C = 50\%$ of the Maximum Consideration, if both FY2025 Actual Revenue and FY2025 Actual Profit is equal to or greater than FY2025 Guarantee Revenue and FY2025 Guarantee Profit;

- (ii) $C = 50\%$ of the Maximum Consideration \times [(FY2025 Actual Revenue/FY2025 Guarantee Revenue + FY2025 Actual Profit/FY2025 Guarantee Profit)/2], if both FY2025 Actual Revenue and FY2025 Actual Profit is smaller than FY2025 Guarantee Revenue and FY2025 Guarantee Profit;
- (iii) $C = 50\%$ of the Maximum Consideration \times (FY2025 Actual Revenue/FY2025 Guarantee Revenue), if FY2025 Actual Revenue is smaller than FY2025 Guarantee Revenue, but FY2025 Actual Profit is equal to or greater than FY2025 Guarantee Profit; or
- (iv) $C = 50\%$ of the Maximum Consideration \times (FY2025 Actual Profit/FY2025 Guarantee Profit), if FY2025 Actual Profit is smaller than FY2025 Guarantee Profit, but FY2025 Actual Revenue is equal to or greater than FY2025 Guarantee Revenue,

where:

“C” means the Last Tranche Consideration;

“FY2025 Actual Revenue” means the actual revenue of the Target Company for FY2025 as referred to the audit report on the Target Company for FY2025 to be issued by an accounting firm agreed by the Vendor and the Purchaser;

“FY2025 Actual Profit” means the actual profit (after taxation) of the Target Company for FY2025 as referred to the audit report on the Target Company for FY2025 to be issued by an accounting firm agreed by the Vendor and the Purchaser;

“FY2025 Guarantee Revenue” means the guarantee revenue of the Target Company for FY2025, being RMB30,000,000;

“FY2025 Guarantee Profit” means the guarantee profit (after taxation) of the Target Company for FY2025, being RMB2,500,000.

In case any consideration (i.e. the First Tranche Consideration, the Second Tranche Consideration, the Third Tranche Consideration, and/or the Last Tranche Consideration) is not paid by the Purchaser on or before the above-mentioned stipulated date, the Vendor shall be entitled to an interest of 4% per annum for such outstanding amount.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms, having taken into account (a) the financial performance and the business prospect of the Target Company; (b) the market position of the Target Company in the industry where it operates; (c) the valuation prepared by an independent professional valuer on the Target Company; and (d) other reasons for and benefits of the Acquisition as set out in the paragraph headed "Reasons for and Benefits of the Acquisition" below. The Consideration will be satisfied by internal resources of the Group.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the Purchaser being satisfied with the results of the Due Diligence Review;
- (b) all requisite approvals, waivers and consents from any relevant governments or regulatory authorities or other relevant third parties in connection with the Acquisition having been obtained by the Vendor;
- (c) the Purchaser having obtained from the Vendor supporting documents showing that the interests in certain intellectual property rights (as agreed between the Purchaser and the Vendor) owned by the Vendor had been legally and irrevocably transferred to the Target Company with nil consideration;
- (d) the core management team of the Target Company having entered into the non-competition agreements and the service agreements (the forms of which shall be agreed by the Purchaser and the Vendor);
- (e) there being no material breach of any representations, warranties and undertakings of the Acquisition Agreement by the Vendor and that no events have suggested that there has been any breach of any warranties or other provisions of the Acquisition Agreement by the Vendor;
- (f) from the date of the Acquisition Agreement, there has not been any material adverse change in respect of the Target Company; and
- (g) there being no material adverse change to the relevant regulations and regulatory requirements applicable to the Purchaser, Vendor and the Target Group.

The Vendor and the Purchaser shall use their best endeavours to procure the fulfillment of the above conditions precedent by 30 September 2023, or such other date as the parties may agree in writing. The Purchaser may waive in writing any of the above conditions precedent. If the conditions set out in the Acquisition Agreement have not been satisfied (or as the case may be, waived by the Purchaser) on 30 September 2023 (or such other date as the parties may agree in writing), the Acquisition Agreement shall lapse and be of no further effect except the surviving provisions (e.g. confidentiality, fee and expenses, governing law and jurisdiction) and no party to the Acquisition Agreement shall have any claim against or liability to the other parties, save in respect of any antecedent breaches of the Acquisition Agreement.

Completion

Completion shall take place on the date falling within five (5) Business Days after the fulfillment or waiver of the conditions precedent under the Acquisition Agreement, or such other date the Vendor and the Purchaser may agree in writing.

Upon Completion, the Purchaser will own the entire issued share capital of the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results the Target Company will be consolidated in the financial statements of the Group.

INFORMATION OF THE VENDOR AND THE TARGET COMPANY

The Vendor is Mr. Wang Tinghui (王庭輝), a PRC citizen. To the best knowledge, information and belief of the Board after having made all reasonable enquiries, the Vendor is an Independent Third Party.

As at the date of this announcement, the Target Company is a company incorporated in the PRC with limited liability and having registered capital of RMB10 million. The principal business of the Target Company is (i) the production of mold, pipe industry accessories and electrical appliances; and (ii) the production of pipe fitting products by way of OEM and ODM. The Target Company is a high-tech intelligent manufacturing technology enterprise focusing on research and development, integrated application of advanced industrial technology, production of various pipe fitting products, fashionable and high quality small household appliances, providing its customers with diversified solutions such as research and development of the above-mentioned products, mold development and integrated application of advanced technology, in order to provide consumers with safe, energy-saving and intelligent household appliances and better explain how technology can change people's livelihood. As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Set out below is the financial information of the Target Company for the two financial years ended 31 December 2022 as prepared in accordance with the PRC GAAP:

	For the year ended	
	31 December	31 December
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	9,366.9	18,942.3
Profit before taxation	321.1	1,579.4
Profit after taxation	313.1	1,421.4

The audited net assets of the Target Company as at 31 December 2022 was approximately RMB2.1 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in (i) the provision of infrastructural pipeline construction and related engineering services mainly for gas, water, telecommunications and power industries services in Singapore; and (ii) trading of building materials.

With the view to diversify the Group's existing business portfolio and to broaden its source of income, the Board believes the Acquisition can enrich the Group's existing business by utilising the resource and mold development capabilities of the Target Company. The Board is also of the view that integrating the pipe fitting products business of the Target Company and the existing business of the Company can achieve synergies of the Group's business as a whole. Through the acquisition of the Target Company, the Group will be able to promote various pipe fitting products required by the Group's main pipeline engineering business and accelerate the application and development of industrial Internet information technology for the industrial enterprises and industries in the Trendzon Zhongshan-Diandian Science and Technology Innovation City* (中山卓航•點點科創城) in which the Group has invested. This will also promote the deep integration of the new generation of industrial technologies with the manufacturing industry, realize the development of data, network and intelligence, gradually build up a brand-new manufacturing and service system, promote transformation and upgrade of the industrial enterprises in the park, and continue to promote sustainable development, which in turn allow the Company and the Shareholders to achieve better economic returns. The Board considers that the Acquisition is in line with the Group's investment strategy, and, if materialised, would immediately bring in a new income stream to the Group and enable the Group to further strengthen its revenue and client base, which, in turn, will increase its shareholders' value and benefit the Company and its Shareholders as a whole.

In view of the above, the Board is of the view that the terms of the Acquisition Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Group and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirement under Chapter 14 of the Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”	the sale and purchase of the Sale Shares pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 9 May 2023 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	day(s) (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout the normal working hours
“Company”	Trendzon Holdings Group Limited 卓航控股集團有限公司, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1865)
“Completion”	completion of the sale and purchase of the Sale Shares according to the Acquisition Agreement
“Completion Date”	within five (5) Business Days after all the conditions precedent under the Acquisition Agreement have been fulfilled (or waived) or such other date as the Vendor and the Purchaser may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration to be satisfied by the Purchaser to the Vendor for the sale and purchase of the Sale Shares, subject to the adjustment to be made (if applicable) with reference to the financial performance of the Target Company in FY2023, FY2024 and FY2025 as agreed in the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Due Diligence Review”	the financial, legal or other due diligence review of the assets, liabilities, operations and affairs of the Target Company by the Purchaser or its agents and advisers
“FY2023”	the financial year ending 31 December 2023
“FY2024”	the financial year ending 31 December 2024
“FY2025”	the financial year ending 31 December 2025
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Maximum Consideration”	the maximum amount of the Consideration, being RMB8 million
“ODM”	original design manufacturing
“OEM”	original equipment manufacturing

“PRC”	the People’s Republic of China which, for the purpose of this announcement and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan Region
“PRC GAAP”	generally accepted accounting principles in the PRC
“Purchaser”	Trendzon (Guangzhou) Construction Investment Company Limited* (卓航(廣州)建設投資有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target Company beneficially owned by the Vendor as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Zhongshan Jiantaiying Electric Appliance Manufacturing Co., Ltd.* (中山市堅泰盈電器製造有限公司), a company incorporated in the PRC with limited liability
“Target Group”	Target Company and its subsidiaries

“Vendor”	Mr. Wang Tinghui (王庭輝), a PRC citizen and an Independent Third Party
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Trendzon Holdings Group Limited
Feng Jiamin
Chairman

Hong Kong, 9 May 2023

As at the date of this announcement, the Board comprises Ms. Feng Jiamin, Mr. Michael Shi Guan Wah, Mr. Lok Ka Ho and Mr. Fong Hang Fai as executive Directors; Mr. Shek Jun Chong, Mr. Qiu Yue, Mr. Lui Kwun Yuen, and Mr. Wong Kwong Fai as independent non-executive Directors.

* *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*