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Zhuoxin International Holdings Limited

卓信國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8266)

CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE TO CONNECTED PERSON AT THE SUBSIDIARY LEVEL

The Board announces that on 3 October 2018, ETC Technology, being a 75% indirect non wholly-owned subsidiary of the Company, and Mr. Chan, being a substantial shareholder and director of ETC Technology, entered into the Loan Agreement pursuant to which (1) ETC Technology agreed to provide an interest-free Loan in the principal amount of HK\$4,260,126 to Mr. Chan; and (2) Mr. Chan agreed to mortgage the Property to Sitronix Technology, being the largest supplier to ETC Technology, such that Sitronix Technology would extend ETC Technology's general credit facilities.

ETC Technology also entered into the Sitronix Agreement with Sitronix Technology to extend the general credit facilities. According to the Sitronix agreement, Sitronix Technology has granted an additional general credit facilities in the amount of US\$3,000,000 and the obligations of ETC Technology under the Sitronix Agreement shall be secured by (i) the mortgage over the Property; and (ii) the personal guarantee of Mr. Chan.

As Mr. Chan is a substantial shareholder and director of ETC Technology, Mr. Chan is a connected person at the subsidiary level of the Company and the transactions contemplated under the Loan Agreement constitute connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the highest percentage ratio is marginally higher than 1% and less than 5%, the entering into of the Loan Agreement is only subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTION

Background

On 3 October 2018, ETC Technology, being a 75% indirectly-owned subsidiary of the Company, and Mr. Chan, being a substantial shareholder and director of ETC Technology, entered into the Loan Agreement pursuant to which (1) ETC Technology agreed to provide an interest-free Loan in the principal amount of HK\$4,260,126 to Mr. Chan; and (2) Mr. Chan agreed to mortgage the Property to Sitronix Technology, being the largest supplier of electronic hardware components to ETC Technology, such that Sitronix Technology would extend ETC Technology's general credit facilities.

ETC Technology also entered into the Sitronix Agreement with Sitronix Technology to extend the general credit facilities. According to the Sitronix Agreement, Sitronix Technology has granted additional general credit facilities in the amount of US\$3,000,000 and the obligations of ETC Technology under the Sitronix Agreement shall be secured by (i) the mortgage over the Property; and (ii) the personal guarantee of Mr. Chan.

THE LOAN AGREEMENT

Date

3 October 2018

Parties

- (i) ETC Technology; and
- (ii) Mr. Chan.

ETC Technology is a company incorporated in Hong Kong and a 75% indirect non wholly-owned subsidiary of the Company. It is principally engaged in the trading of electronic hardware components.

Mr. Chan is a substantial shareholder and director of ETC Technology and the owner of the Property.

Subject matter

Pursuant to the Loan Agreement, ETC Technology agreed to provide an interest-free Loan in the principal amount of HK\$4,260,126 to Mr. Chan. Mr. Chan shall utilise the proceeds from the Loan for the repayment of the outstanding amount under bank loan to release the Mortgage. Upon the release of the Mortgage, Mr. Chan shall mortgage the Property to Sitronix Technology, being the largest supplier of electronic hardware components to ETC Technology, such that Sitronix Technology would extend ETC Technology's general credit facilities. If the Property is no longer required by Sitronix Technology as security, Mr. Chan shall repay the Loan to ETC Technology within two months from the date the Property is no longer required as security.

ETC Technology also entered into the Sitronix Agreement with Sitronix Technology pursuant to which Sitronix Technology granted additional general credit facilities in the amount of US\$3,000,000 to ETC Technology and the obligations of ETC Technology under the Sitronix Agreement shall be secured by (i) the mortgage over the Property; and (ii) the personal guarantee of Mr. Chan.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

The Group is principally engaged in trading of electronic hardware components in relation to display modules and touch panel modules, property development and property investment.

ETC Technology is a 75% indirect non wholly-owned subsidiary of the Company and is principally engaged in the trading of electronic hardware components. Sitronix Technology is the largest supplier of electronic hardware components to ETC Technology. Sitronix Technology supplied approximately HK\$490,140,000 worth of electronic hardware components to ETC Technology in the financial year ended 31 March 2018, which accounted for approximately 79% of total purchases of the year. For Sitronix Technology to extend ETC Technology's general credit facilities by US\$3,000,000, from US\$3,450,000 to US\$6,450,000, Mr. Chan agreed to provide a personal guarantee and mortgage the Property to Sitronix Technology as security. The Property is beneficially owned by Mr. Chan with the market value of approximately HK\$15,110,000 as appraised by an independent valuer on 4 September 2018. As the Property was mortgaged to a bank to secure a loan in the outstanding amount of HK\$4,260,126, for the Property to be mortgaged to Sitronix Technology, Mr. Chan was required to repay the outstanding amount under the bank loan for the release of the Mortgage. As such, ETC Technology provided the Loan to Mr. Chan for the repayment of such bank loan.

As (i) Sitronix Technology required a personal guarantee and mortgage of real property as security in order to grant the additional credit facilities; (ii) the purpose of the Loan was such that the Property could be mortgaged to Sitronix Technology to secure additional general credit facilities in the amount of US\$3,000,000 by Sitronix Technology and for the benefit of ETC Technology; and (iii) Mr. Chan also provided a personal guarantee to secure such general credit facilities, the Directors (including independent non-executive Directors) are of the view that the terms of the Loan Agreement has been agreed after arm's length negotiation between the parties, are fair and reasonable, on normal commercial terms or better after taking into account the terms of the Loan, and are in the interests of the Company and its Shareholders as a whole.

None of the Directors have a material interest in the transactions contemplated under the Loan Agreement. As such, no Directors were required to abstain from voting on the board meeting to approve the transactions contemplated under the Loan Agreement.

GEM LISTING RULES IMPLICATION

As Mr. Chan is a substantial shareholder and director of ETC Technology, Mr. Chan is a connected person at the subsidiary level of the Company and the transactions contemplated under the Loan Agreement constitute connected transaction for the Company under the GEM Listing Rules.

As the highest percentage ratio is marginally higher than 1% and less than 5%, the entering into of the Loan Agreement is only subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Prior to the date of the Loan Agreement, the Company calculated the relevant percentage ratios for the transactions contemplated under the Loan Agreement. However, due to an inadvertent clerical error, one of the relevant percentage ratios was miscalculated and as a result, the highest percentage ratio then calculated was less 1% and would fall under a de minimis transaction fully exempt from disclosure and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As such, the Company did not announce the connected transaction as soon as practicable after the signing of the Loan Agreement.

The management only became aware of the inadvertent clerical error at or around mid February 2019 when they reviewed the third quarterly financial results for 2018 and has made an announcement as soon as practicable.

REMEDIAL STEPS TO BE TAKEN

In order to prevent the occurrence of similar incidents, the management has immediately taken steps to strengthen the internal controls over the procedures for all transactions under Chapters 19 and 20 of the GEM Listing Rules and to strengthen internal control procedures to ensure accuracy of all clerical works.

DEFINITIONS

“Board”	the board of Directors
“Company”	Zhuoxin International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM (stock code: 8266)
“connected person at the subsidiary level”	has the meaning ascribed to this term under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“ETC Technology”	ETC Technology Limited, a company incorporated in Hong Kong with limited liability and a 75% indirect non wholly-owned subsidiary of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Loan”	the interest-free loan in the principal amount of HK\$4,260,126 provided by ETC Technology to Mr. Chan under the Loan Agreement
“Loan Agreement”	the loan agreement dated 3 October 2018 and entered into between ETC Technology and Mr. Chan
“Mortgage”	the mortgage entered into between Mr. Chan as mortgagor and Bank of China (Hong Kong) Limited as mortgagee in relation to the mortgage over the Property
“Mr. Chan”	Chan Wan Kim, a substantial shareholder and director of ETC Technology and a connected person at the subsidiary level of the Company

“Property”	the property located at Flat A, 30th Floor, Tower 1B Oceanaire, No. 18 Po Tai Street, Sha Tin, New Territories, Hong Kong (including the flat roof immediately above)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sitronix Agreement”	the agreement entered into between ETC Technology and Sitronix Technology in relation to the grant of general credit facilities by Sitronix Technology to ETC Technology
“Sitronix Technology”	Sitronix Technology Corp., a company incorporated under the laws of the Republic of China with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency for the time being of Hong Kong
“US\$”	United States dollars, the lawful currency of United States of America

By order of the Board
Zhuoxin International Holdings Limited
Ma Chao
Chairman

Hong Kong, 1 March 2019

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Ma Chao (Chairman), Mr. Zhang Shourong and Mr. Fu Yong; and three independent non-executive Directors, namely, Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung and Mr. Li Shiu Ki, Ernest.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its publication and on the Company’s website at www.zhuoxinintl.com.