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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)**

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

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), and the announcement of the Company dated 9 May 2023 (the “**Announcement**”) in relation to the Acquisition of the entire issued share capital of the Target Company. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as those defined in the Announcement. This supplemental announcement is to provide further details in relation to the Acquisition.

**BASIS OF THE CONSIDERATION**

As disclosed in the Announcement, 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 (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” in the Announcement.

In addition, the Valuation is one of the main factors considered in determining the Maximum Consideration, and the Maximum Consideration was at a discount to the result of the Valuation. The Board would like to provide further information about the Valuation in the following paragraphs.

### **The Valuation**

The Company has engaged CHFT Advisory and Appraisal Ltd (the “**Valuer**”), an independent professional valuer, to conduct the Valuation on the Target Company. As advised by the Valuer, the Valuation was prepared in accordance with the applicable requirements and standards, including but not limited to the International Valuation Standard. The principal parameters and assumptions upon which the Valuation was based on are set out below:

- the price to earnings ratio as concluded from a set of comparable companies of similar size and with similar business to the Target Company;
- the discount for lack of marketability as observed from 2022 Stout Restricted Stock Study Companion Guide, which is a prevailing and commonly adopted study in assessing such discount;
- the assumption that the Target Company will continue to manage and operate its current manufacturing business in PRC and fulfill legal and regulatory requirements for the continuation of business;
- the assumption that there will be no material changes in politics, laws, rules or regulations in the PRC where the Target Company currently operates which may materially and adversely affect the operations; and
- the assumption that there will be no material changes in the taxation law in the PRC where the Target Company currently operates which may materially and adversely affect the profits.

As confirmed by the Valuer, the Valuation was concluded by adopting market approach, which was mainly because:

- the cost approach is not considered applicable as it fails to capture future earning potential of the Target Company. The income approach is also not adopted as various projected inputs, including but not limited to production, pricing, operating costs, discount rate, have to be made, which cannot be easily justified or ascertained;

- whereas, the Target Company engages in traditional manufacturing industry, which means a number of comparable companies with similar business can be located in the market to benchmark the value of the Target Company. Also, the Target Company has verifiable profit-making track records for two years and is expected to sustain its existing business operations in the foreseeable future.

Therefore, after having considered the generally accepted business enterprise valuation approaches, the Valuer is of the view that market approach is the most appropriate approach for valuation of the Target Company.

Having considered (i) the rationale of the Valuer in selecting market approach over cost approach and income approach; (ii) that the Valuation was prepared by the Valuer in accordance with the applicable requirements and standards; and (iii) that the Valuer had considered the generally accepted business enterprise valuation approaches and the circumstances of the Target Company before rejecting the use of cost approach and income approach, the Board is of the view that the adoption of market approach for the Valuation is fair and reasonable.

Pursuant to the Valuation, the appraised total equity value of the Target Company is approximately RMB8.06 million. Such appraised value is calculated based on the average annual net profits of the Target Company for the two years ended 31 December 2022 x marketability discount x price-to-equity ratio (the “**PE Ratio**”). The PE Ratio of 11.58 times was determined with reference to the PE Ratios of the comparable companies (the “**Market PE Ratios**”) in the same industry.

As confirmed by the Valuer, the comparable companies were selected on the bases that (i) they are of similar size and primarily engaged in electronic appliance manufacturing business which is similar to the business of the Target Company; (ii) they operate in a similar economic environment as the Target Company, i.e. having business operation mainly in the PRC; (iii) they are companies listed in Hong Kong, Shenzhen or Shanghai, and their information can be extracted from reliable and public sources; and (iv) their PE Ratios should not be negative or statistically extreme.

As advised by the Valuer, the Market PE Ratios ranged from 5.3 times to 18.6 times, and the PE Ratio of 11.58 times falls within such range and represents approximately average of the Market PE Ratios. Having considered the selection bases of the comparable companies, the business of the comparable companies which are similar to the Target Company, and the Market PE Ratios, the Board is of the view that the PE Ratio of 11.58 times is fair and reasonable.

Furthermore, the Board reviewed the principal assumptions made by the Valuer and the selection criteria of the comparable companies for the Valuation, and enquired the Valuer's qualifications and experience in relation to the performance of the Valuation. Based on the information provided by the Valuer and after making reasonable enquires, the Board is of the view that the Valuer is a professional valuation company which possesses the necessary competence and independence in preparing the Valuation. In light of the above, the Company believes that the Valuation is an appropriate reference for determining the Consideration.

Given that the Maximum Consideration was at a discount to the result of Valuation, and having considered all the factors above, the Board is of the view that the Consideration is fair and reasonable and is in the interest of the Company and its Shareholders as a whole.

### **Basis of Guarantee Revenue and Guarantee Profits**

As disclosed in the Announcement, the Consideration shall be paid by the Purchaser to the Vendor in cash by four installments, where the Second Tranche Consideration, the Third Tranche Consideration, and the Last Tranche Consideration are subject to adjustment and shall be determined with reference to the proportion of the actual revenue and actual profits of the Target Company to be achieved in FY2023, FY2024 and FY2025 respectively, over the corresponding FY2023 Guarantee Revenue, FY2024 Guarantee Revenue, FY2025 Guarantee Revenue (together with FY2023 Guarantee Revenue and FY2024 Guarantee Revenue, collectively, the "**Guarantee Revenue**"), FY2023 Guarantee Profit, FY2024 Guarantee Profit, and FY2025 Guarantee Profit (together with FY2023 Guarantee Profit and FY2024 Guarantee Profit, collectively, the "**Guarantee Profits**").

As confirmed by the Board, the Guarantee Revenue and the Guarantee Profits were merely a mechanism agreed between the Vendor and the Purchaser to adjust the Consideration, and the results of commercial negotiation at arm's length between the Vendor and the Purchaser, with reference to (a) the past financial performance of the Target Company, and the business prospect of the Target Company; (b) the trend of the business and the market position of the Target Company in the industry where it operates by referring to the past performance of the comparable companies; and (c) the potential financial resources to be input to the Target Company by the Purchaser to promote the pipe fitting products and enhance the synergies of the Group's business.

Such adjustment to the Consideration is a mechanism purely beneficial to the Purchaser, which will only reduce the amount of Consideration to be paid in case the actual revenue and/or actual profits of the Target Company from FY2023 to FY2025 failing to meet the corresponding Guarantee Revenue and/or Guarantee Profits of the Target Company, but will not increase the amount of Consideration to be paid in case the actual revenue and/or actual profits of the Target Company from FY2023 to FY2025 exceeding the corresponding Guarantee Revenue and/or Guarantee Profits of the Target Company. The Maximum Consideration remains as RMB8 million irrespective of the future financial performance of the Target Company.

In the worst case scenario, assuming the actual revenue and actual profits of the Target Company from FY2023 to FY2025 being nil, the Purchaser will only need to pay the First Tranche Consideration, which is agreed to be RMB2.4 million, being 30 % of the Maximum Consideration, representing a slight premium over the audited net assets of the Target Company, which was approximately RMB2.1 million as at 31 December 2022. The First Tranche Consideration was comparable to the net assets of the Target Company.

In light of the above, the Board is of the view that the mechanism of adjustment to the Consideration and the basis of the Guarantee Revenue and Guarantee Profits are fair and reasonable and in the interest of the Company and its shareholders as a whole.

This announcement is supplemental to and should be read in conjunction with the Announcement. Save as disclosed in this announcement, all other information contained in the Announcement remains unchanged.

**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.**

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

Hong Kong, 23 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.*