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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
51% EQUITY INTEREST OF
THE TARGET COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 11 July 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 51% equity interest of the Target Company, for the Consideration.

Upon Completion, the Purchaser will own 51% equity interest of the Target Company, and the Target Company will become an indirect non-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

The Board is pleased to announce that on 11 July 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 51% equity interest of the Target Company, for the Consideration.

THE ACQUISITION AGREEMENT

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

Date: 11 July 2023

Parties: (i) Vendor: Zhejiang Taiguang Construction Technology Co., Ltd.*
(浙江台廣建築科技有限公司)

(ii) Purchaser: Trendzon Industrial Limited (卓航產業有限公司)

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 51% equity interest of the Target Company.

Consideration

The total consideration for the Acquisition is RMB5,100,000 (subject to adjustment as shown below), which shall be satisfied by the Purchaser to the Vendor in three tranches in the manner as set out below:

(a) 40% of the Consideration, being the first tranche of the Consideration, shall be paid within 30 days upon Completion;

- (b) 30% of the Consideration, being the second tranche of the Consideration is payable on or before 30 August 2024 upon Completion and shall be determined in accordance with the applicable formulae in the following:
- (i) $A = 30\%$ of the Consideration, if both FY2023 Actual Revenue and FY2023 Actual Profit is equal to or greater than FY2023 Guarantee Revenue and FY2023 Guarantee Profit;
 - (ii) $A = 30\%$ of the Consideration \times (FY2023 Actual Revenue/FY2023 Guarantee Revenue + FY2023 Actual Profit/FY2023 Guarantee Profit)/2, if both FY2023 Actual Revenue and FY2023 Actual Profit is smaller than FY2023 Guarantee Revenue and FY2023 Guarantee Profit;
 - (iii) $A = 30\%$ of the Consideration \times (FY2023 Actual Revenue/FY2023 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) $A = 30\%$ of the Consideration \times (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 of the 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 RMB22,000,000;

“FY2023 Guarantee Profit” means the guarantee profit (after taxation) of the Target Company for FY2023, being RMB2,500,000;

(c) 30% of the Consideration, being the third tranche of the Consideration is payable on or before 30 August 2025 upon Completion and shall be determined in accordance with the applicable formulae in the following:

(i) $B = 30\%$ of the Consideration, if both FY2024 Actual Revenue and FY2024 Actual Profit is equal to or greater than FY2024 Guarantee Revenue and FY2024 Guarantee Profit;

(ii) $B = 30\%$ of the Consideration \times (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) $B = 30\%$ of the 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) $B = 30\%$ of the 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 of the 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 RMB3,000,000.

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 growth potential of the construction industry and the future prospects of the construction industry; (c) and the preliminary appraised value of 100% equity interest in the Target Company of not less than RMB10,000,000 performed by an independent valuer (namely Graval Consulting Limited) using market approach; and (d) the 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 the local government with jurisdiction over the Target Company or regulatory authorities or other relevant third parties in connection with the Acquisition having been obtained by the Vendor;
- (c) The core management team of the Target Company having signed a non-compete agreement and a service agreement negotiated by both parties for a period of five years;
- (d) The Purchaser is satisfied that the representations and guarantees of the Vendor made to the Target Company under the Acquisition Agreement continue to be true, accurate, not materially misleading and have not been breached, and no event or circumstance has occurred which has resulted in any material adverse change at any time during the period from the date of the signing of the Acquisition Agreement up to the date of closing;
- (e) The Purchaser has not discovered or been aware of any abnormal operation of the Target Company since the date of signing the Acquisition Agreement, or any material adverse change in its business area, status (including assets, financial and legal status), operation, performance or property, or any undisclosed major potential risks;
- (f) there being no material adverse change to the relevant regulations and regulatory requirements applicable to the Purchaser, Vendor and the Target Company; and
- (g) the Purchaser having obtained a value assessment report on the Target Company issued by a qualified valuer appointed by the Purchaser, whose substance and form are in accordance with the form and substance satisfactory to the Purchaser, and whose substance includes but is not limited to the assessed value of the Target Company of not less than RMB10,000,000.

The Vendor and the Purchaser shall use their best endeavours to procure the fulfillment of the above conditions precedent by 30 August 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 August 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.

Undertaking

Pursuant to the terms of the Acquisition Agreement, the Vendor undertakes to repay the borrowing amount of bank loan amounted to RMB3,000,000 and its interests (“**Bank Loan**”) by the due date. If the Vendor fails to repay the Bank Loan on time, resulting in the Purchaser bearing the borrowing and interests, the Vendor undertakes to transfer the amount equivalent shares of the Target Company to the Purchaser. The Vendor undertakes that before repaying the Bank Loan, the Vendor shall not sell, transfer or otherwise dispose of its 49% shares or equity, or create any encumbrance on such shares or equity.

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 51% equity interest of the Target Company, and the Target Company will become an indirect non-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 Zhejiang Taiguang Construction Technology Co., Ltd.* (浙江台廣建築科技有限公司), a company incorporated in Hangzhou, Zhejiang Province in the PRC with limited liability which is wholly owned by Mr. Lin Yuan (林淵) and Mr. Shen Tongyan (沈炯炎). To the best knowledge, information and belief of the Board after having made all reasonable enquiries, the Vendor and each of its ultimate shareholder 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 RMB101.88 million. The principal business of the Target Company is a construction enterprise integrating planning, design, construction and procurement. It takes Engineering, procurement, and construction (EPC) technical support and project management as its core competence, integrates upstream and downstream resources of the construction industry, and leads the market with the advantages of industrial chain resources. The Target Company is a construction industry management company with a complete information management platform, risk control management system and modern enterprise management system. Its main business includes various engineering construction businesses. The construction business mainly has three sections: (1) The construction area of housing construction is concentrated in Zhejiang Province, and the current cooperative customers are mainly Sino-Ocean Group, Yuhang City Investment, etc.; (2) The cooperative customers of municipal landscape construction are Shanshui Group, Tonglu Economic Development Zone, etc.; and (3) Sino-Singapore Power for new energy construction. The design and planning business area is distributed across the country, mainly concentrated in Zhejiang Province and Xinjiang Province. The cooperative customers are mainly the Xinjiang Baiyang Urban Management and Operation Center and Tonglu City Investment. The business involves planning, feasibility study, project cost, design and construction and other construction process management. The target company is not only a construction company, but also a construction resource trading platform company. As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Set out below is the unaudited financial information of the Target Company for the two financial years ended 31 December 2022 and the six months ended 30 June 2023 as prepared in accordance with the PRC GAAP:

	For the year ended		For the
	31 December	31 December	six months
	2021	2022	ended 30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	87	7,077	19,363
Profit/(Loss) before taxation	(1,753)	729	2,106
Profit/(Loss) after taxation	(1,753)	729	2,106

The unaudited net assets of the Target Company as at 30 June 2023 was approximately RMB8,125,255.

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 business by leveraging the construction licenses including Grade II General Contracting of Construction Engineering* (建築工程施工總承包貳級), Grade II Professional Contracting of Building Decoration and Decoration Engineering* (建築裝修裝飾工程專業承包貳級), and Grade III Professional Contracting of Special Project Structural Reinforcement* (特程工程(結構補強)專業承包貳級) of the Target Company, and the prospect and network in the PRC. The Board is also of the view that integrating the infrastructural construction 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, the Group will be able to leverage on the licenses to expand the business region of pipe construction engineering business and capture other possible construction opportunities, which in turn allow the Company and the Shareholders to achieve sustainable 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 11 July 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 total consideration in the sum of RMB5,100,000 payable by the Purchaser to the Vendor for the Acquisition as described under the paragraphs headed “Consideration”
“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
“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
“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 Industrial Limited (卓航產業有限公司), a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	51% equity interest 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”	Zhejiang Taiding Construction Co., Ltd.* (浙江台鼎建設有限公司), a company incorporated in the PRC with limited liability
“Vendor”	Zhejiang Taiguang Construction Technology Co., Ltd.* (浙江台廣建築科技有限公司), company incorporated in the PRC with limited liability which is wholly-owned by Mr. Lin Yuan (林淵) and Mr. Shen Tongyan (沈炯炎), both 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, 11 July 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.*