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ZIONCOM HOLDINGS LIMITED

百家淘客股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8287)

DISCLOSEABLE TRANSACTION DISPOSAL OF 21.37% EQUITY INTERESTS IN A SUBSIDIARY

The Board is pleased to announce that, after trading hours on 12 August 2021, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing approximately 21.37% of the equity interests in the Target Company, at the consideration of US\$2,000,000 (equivalent to approximately HK\$15,500,000).

Upon Completion, the Vendor will hold 51% of the equity interests in the Target Company.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Reference is made to the announcements of the Company dated 31 December 2020 and 1 February 2021 in relation to the memorandum of understanding entered into between the Vendor and the Purchaser in respect of the proposed sale and purchase of approximately 22.5% equity interests in the Target Company.

INTRODUCTION

The Board is pleased to announce that, after trading hours on 12 August 2021, the Vendor entered into the Disposal Agreement with the Purchaser in respect of the Disposal.

THE DISPOSAL AGREEMENT

Date 12 August 2021

Parties Vendor: Zioncom (Hong Kong) Technology Limited; and
Purchaser: Evergo Technology PTE. Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

Subject of the Disposal

The Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, which represents approximately 21.37% of the equity interests in the Target Company. As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company. For details of the Target Company, please refer to the paragraph headed “Information on the Target Company” below.

Consideration

The consideration for the Sale Shares is US\$2,000,000 (equivalent to approximately HK\$15,500,000), which shall be paid by or on behalf of the Purchaser to the Vendor in cash in the following manner:

- a) US\$200,000 (equivalent to approximately HK\$1,550,000) (representing 10% of the consideration) shall be paid within five (5) Business Days upon signing of the Disposal Agreement;
- b) US\$900,000 (equivalent to approximately HK\$6,975,000) (representing 45% of the consideration) shall be paid within three (3) weeks upon signing of the Disposal Agreement; and
- c) US\$900,000 (equivalent to approximately HK\$6,975,000) (representing 45% of the consideration) shall be paid on the date of Completion.

Basis of the consideration

The consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to:–

- (a) the net asset value of the Target Company as at 31 March 2021; and
- (b) fair value of the Sale Shares amounting to VND39,169,000,000 (equivalent to approximately HK\$13,260,000) based on the Valuation Report prepared by the Valuer as at 30 June 2021.

Therefore, the Directors consider the consideration for the Disposal to be fair and reasonable.

Conditions precedent

The obligations of the parties under the Disposal Agreement in connection with the Disposal are conditional upon the following conditions being fulfilled (or waived) (as the case may be):

- (a) due diligence (including legal, finance and business) on the Target Company, including without limitation, its state of affairs, assets and liabilities, financial position and business operation having been completed to the satisfaction of the Purchaser;
- (b) shareholders of the Company having approved the Disposal Agreement and the transactions contemplated thereunder as required by the GEM Listing Rules (if applicable);
- (c) all necessary governmental and other consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained; and
- (d) the warranties and representations made by the Vendor in the Disposal Agreement remaining true and accurate and not misleading in material respect at Completion.

In the event that the conditions above are not fulfilled (or waived) (as the case may be) on or before 5:00 p.m. (Vietnam time), 31 October 2021 (or such other date as the parties may agree in writing), the obligations of the parties under the Disposal Agreement shall cease and none of the parties shall have any claim against the other parties, save for any antecedent breach thereof.

Completion

The Completion shall take place within five (5) Business Days after the fulfilment or waiver (as the case may be) of the above conditions precedent.

Upon Completion, the Vendor will hold 51% of the equity interests in the Target Company.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Singapore with limited liability, solely owned by Mr. Yun Wanjin, and is principally engaged in sale and distribution of electronic and networking products.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Vietnam with limited liability. As at the date of this announcement, it is an indirect non-wholly owned subsidiary of the Company and is principally engaged in the manufacturing and sale of networking products.

Set out below is the summary of the key financial information of the Target Company based on the unaudited financial statements for the three months ended 31 March 2021 and the audited financial statements for the financial years ended 31 December 2020 and 31 December 2019, respectively.

	For the three months ended 31 March 2021 (unaudited)		For the year ended 31 December 2020 (audited)		For the year ended 31 December 2019 (audited)	
	VND'000	HK\$'000 equivalent	VND'000	HK\$'000 equivalent	VND'000	HK\$'000 equivalent
Revenue	133,556,624	45,212	484,743,188	164,097	427,588,406	144,749
Net profit before taxation	14,183,366	4,801	25,814,658	8,739	4,476,297	1,515
Net profit after taxation	14,183,366	4,801	25,814,658	8,739	4,476,297	1,515
	As at 31 March 2021 (unaudited)		As at 31 December 2020 (audited)		As at 31 December 2019 (audited)	
	VND'000	HK\$'000 equivalent	VND'000	HK\$'000 equivalent	VND'000	HK\$'000 equivalent
Total assets	383,939,806	129,973	381,661,947	129,202	370,151,223	125,305
Total liabilities	200,920,767	68,017	212,544,841	71,952	226,848,775	76,793
Net asset value	183,019,039	61,956	169,117,106	57,250	143,302,448	48,511

FINANCIAL EFFECT OF THE DISPOSAL

The Company currently estimates that a disposal gain of approximately HK\$2,260,629 (which has not been reviewed by the auditor and may be subject to accounting adjustments), being the difference between the consideration of the Disposal and the unaudited net asset value of the Target Company as at 31 March 2021, will be recognised in the consolidated financial statements of the Group for the year ending 31 December 2021 as a result of the Disposal. The actual amount of gain on the Disposal to be recognised by the Company will be subject to audit and may be different from that as expected by the Directors.

It is expected that the net proceeds from the Disposal will be used for general working capital of the Group.

REASONS FOR THE DISPOSAL

The Group is principally engaged in manufacturing and sale of networking products, specialising in the design and development of wireless networking products which are primarily targeted for home use and small scale commercial applications. The Group also manufactures and sells wired and wireless networking products such as Ethernet switches, LAN cards, Wi-Fi modules and Access Points as well as non-networking products, such as power banks and USB hubs. Its operations are mainly based in the PRC. Its main products are routers, which provide for wired and wireless transmission of data to devices while maintaining wired connection with modems.

The Directors consider that the Disposal Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Vendor. The Vendor entered into the Disposal Agreement with the intention of improving cash flow of the Group, and providing funds for the Group's main operations in the PRC.

Taking into account the above reasons for the Disposal, the Directors consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“Board”	the board of Directors
“Business Days”	days (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Hong Kong
“Company”	Zioncom Holdings Limited (stock code: 8287), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Completion”	completion of the Disposal pursuant to the terms of the Disposal Agreement
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal by the Vendor of the Sale Shares subject to and upon the terms and conditions as set out in the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 12 August 2021 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Shares
“GEM”	GEM of 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 PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its directors, chief executive, and substantial shareholders of the Company or its subsidiaries or their respective associates
“percentage ratios”	has the meaning ascribed to it under the GEM Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Evergo Technology PTE. Limited, a company incorporated in Singapore with limited liability, solely owned by Mr. Yun Wanjin, being an Independent Third Party
“Sale Shares”	3,629,930 shares in the Target Company, representing approximately 21.37% of the equity interests in the Target Company as at the date of this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Công Ty Cổ Phần Zioncom (Vietnam) (Zioncom (Vietnam) JSC*) (formerly known as Công Ty TNHH Zioncom (Vietnam) (Zioncom (Vietnam) Co., Ltd.*)), a limited liability company incorporated under the laws of Vietnam and an indirect non-wholly owned subsidiary of the Company

“Valuation Report”	the valuation report prepared by the Valuer in respect of the valuation of the Sales Shares as at 30 June 2021 using market approach
“Valuer”	ValQuest Advisory (Hong Kong) Limited, an independent valuer
“Vendor”	Zioncom (Hong Kong) Technology Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Vietnam”	The Socialist Republic of Vietnam
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“VND”	Vietnamese dong, the lawful currency of Vietnam
“%”	per cent

By order of the Board
Zioncom Holdings Limited
Kim Byung Kwon
Chairman

Hong Kong, 12 August 2021

Unless otherwise specified in this announcement, amounts denominated in US\$ and VND have been converted, for the purpose of illustration only, into HK\$ as follows:

$$\begin{aligned} \text{US\$1} &= \text{HK\$7.75} \\ \text{VND2,954} &= \text{HK\$1} \end{aligned}$$

Such exchange rates do not constitute a representation that any amounts were, may have been or will be exchanged at such rates or any other rates or at all.

As at the date of this announcement, the executive Directors of the Company are Mr. Kim Byung Kwon, Mr. Kim Jun Yeob, Mr. Koo Ja Chun, Mr. Xiao Jingen and Mr. Zhao Xiuming; and the independent non-executive Directors of the Company are Mr. Kwong Chun Man and Mr. Lee Tsung Wah, Jonathan.

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 for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, 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 posting and on the website of the Company at www.zioncom.net.

* *For identification purposes only*