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## **ZIONCOM HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8287)**

### **DISCLOSEABLE TRANSACTION DEEMED DISPOSAL OF 27.63% EQUITY INTEREST IN ZIONCOM VIETNAM**

The Board is pleased to announce that, after trading hours on 27 February 2019, Zioncom Hong Kong, an indirect wholly-owned subsidiary of the Company, entered into the ZV Agreement with the Investors (i.e. Noontec and Mr. Fu) in relation to the ZV Capital Injection in the aggregate amount of US\$2,100,000 (equivalent to approximately HK\$16,380,000) in Zioncom Vietnam. Pursuant to the ZV Agreement and subject to completion, the charter capital of Zioncom Vietnam will be increased from US\$5,500,000 (equivalent to approximately HK\$42,900,000) to US\$7,600,000 (equivalent to approximately HK\$59,280,000). The full amount of the ZV Capital Injection will be contributed in the form of cash by the Investors. In connection with the ZV Capital Injection, the Investors entered into the Investors' Undertaking with Zioncom Hong Kong and Zioncom Vietnam on 27 February 2019 (after trading hours), pursuant to which the Investors have given certain undertakings and covenants in favour of Zioncom Hong Kong and Zioncom Vietnam in relation to confidentiality, non-competition and non-solicitation.

Upon completion of the ZV Capital Injection, Zioncom Hong Kong, Noontec and Mr. Fu will hold 72.37%, 19.74% and 7.89% of the equity interests in Zioncom Vietnam, respectively, and Zioncom Vietnam will become a non wholly-owned subsidiary of the Company.

#### **GEM LISTING RULES IMPLICATIONS**

The ZV Capital Injection constitutes a deemed disposal of the Company's equity interest in Zioncom Vietnam under Rule 19.29 of the GEM Listing Rules.

As at the date of this announcement, Zioncom Hong Kong is the sole shareholder of Zioncom Vietnam. Noontec and Mr. Fu are Independent Third Party investors. As one or more of the applicable percentage ratios in respect of the ZV Capital Injection are more than 5% but less than 25%, the ZV Capital Injection constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the ZV Capital Injection 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.

## **INTRODUCTION**

The Board is pleased to announce that, after trading hours on 27 February 2019, Zioncom Hong Kong, an indirect wholly-owned subsidiary of the Company, entered into the ZV Agreement with the Investors (i.e. Noontec and Mr. Fu) in relation to the ZV Capital Injection in the aggregate amount of US\$2,100,000 (equivalent to approximately HK\$16,380,000) in Zioncom Vietnam. Pursuant to the ZV Agreement and subject to completion, the charter capital of Zioncom Vietnam will be increased from US\$5,500,000 (equivalent to approximately HK\$42,900,000) to US\$7,600,000 (equivalent to approximately HK\$59,280,000). The full amount of the ZV Capital Injection will be contributed in the form of cash by the Investors.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Mr. Fu, Noontec and its ultimate beneficial owners are Independent Third Parties.

## **THE ZV CAPITAL INJECTION**

### **The ZV Agreement**

Date: 27 February 2019

Parties: Zioncom Hong Kong, Noontec, Mr. Fu

### ***Subject matter***

Pursuant to the ZV Agreement and subject to completion, the charter capital of Zioncom Vietnam will be increased from US\$5,500,000 (equivalent to approximately HK\$42,900,000) to US\$7,600,000 (equivalent to approximately HK\$59,280,000).

Under the ZV Capital Injection, the additional capital contribution of Noontec and Mr. Fu will be US\$1,500,000 (equivalent to approximately HK\$11,700,000) and US\$600,000 (equivalent to approximately HK\$4,680,000) respectively. The full amount of the ZV Capital Injection will be contributed in the form of cash by the Investors.

Upon completion of the ZV Capital Injection, the equity interest in Zioncom Vietnam owned by Zioncom Hong Kong will be diluted from 100% to 72.37% and Zioncom Vietnam will become a non wholly-owned subsidiary of the Company.

### ***Conditions precedent***

The obligations of the parties under the ZV Agreement in connection with the ZV Capital Injection are conditional upon the following conditions being satisfied and fulfilled (or waived by the parties) on or before 5:00 p.m. (Vietnam time), 26 March 2019 (or such later time and date as the parties shall agree in writing):

- (i) Zioncom Hong Kong and/or Zioncom Vietnam having and will have obtained all necessary licences, consents or approvals (where applicable) of any governmental or regulatory bodies which are required for the execution and performance of the ZV Agreement and the transactions contemplated thereunder and which have not been revoked prior to completion, including but not limited to obtaining:
  - (a) approval from the Vietnam Industrial District Management Committee for the registration of the ZV Capital Injection;
  - (b) subject to the payment of the full amount of the ZV Capital Injection by the Investors, approval from the Vietnam Investment Project Office and approval from the Vietnam Industrial District Management Committee for the change of business registration and investment registration certificate.
- (ii) the granting of all other necessary approvals as may be required for the ZV Capital Injection, including any relevant governmental and regulatory authorities and third party consents, approvals and filings in relation to the execution of the ZV Agreement or the transactions contemplated thereunder; and
- (iii) the Investors and Zioncom Hong Kong shall complete all necessary internal procedures, such as board authorisation of Zioncom Hong Kong and Noontec, for the ZV Capital Injection under the ZV Agreement.

In the event that the conditions above are not fulfilled (or waived) on or before 5:00 p.m. (Vietnam time), 26 March 2019 (or such later time and date as the parties shall agree in writing), the obligations of the parties under the ZV 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 of the ZV Capital Injection shall take place after the completion of the relevant registration procedures by Zioncom Vietnam and fulfilment of the above conditions. Subject to the conditions above being fulfilled (excluding the conditions in the sub-paragraph (i)(b)) or waived, the Investors shall within 5 business days (or such later time and date as the parties shall agree in writing) after such conditions being fulfilled or waived, by way of bank transfer to Zioncom Vietnam's investment bank account, execute the ZV Capital Injection as per the table below, which illustrates the shareholding structures of Zioncom Vietnam (i) as at the date of this announcement; and (ii) upon completion of the ZV Capital Injection:

	As at the date of this announcement			Upon completion of the ZV Capital Injection		
	Contributed capital		% of equity interest	Contributed capital		% of equity interest
	US\$	HK\$ equivalent		US\$	HK\$ equivalent	
Zioncom Hong Kong	5,500,000	42,900,000	100%	5,500,000	42,900,000	72.37%
Noontec	–	–	–	1,500,000	11,700,000	19.74%
Mr. Fu	–	–	–	600,000	4,680,000	7.89%
<b>Total</b>	<u>5,500,000</u>	<u>42,900,000</u>	<u>100%</u>	<u>7,600,000</u>	<u>59,280,000</u>	<u>100%</u>

If either of the Investors is unable to make its contribution in accordance with the above, that party shall inform Zioncom Hong Kong of the reasons for such delay and take remedial measures not later than fifteen days after the due date for making the contribution and shall be held liable to Zioncom Hong Kong for any loss incurred thereby. If such remedial measures are not performed or are not satisfactory to Zioncom Hong Kong, Zioncom Hong Kong may terminate the ZV Agreement, and the party in breach shall be liable for all damages incurred by the other parties due to such breach.

The ZV Capital Injection of US\$2,100,000 (equivalent to approximately HK\$16,380,000) was determined by the management of Zioncom Vietnam with reference to (i) the capital requirements of Zioncom Vietnam for its future development; and (ii) the shareholding structures of Zioncom Vietnam as at the date of the ZV Agreement and completion.

Given the above, the Directors consider that the terms of the ZV Agreement (including the amount of the ZV Capital Injection) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### ***Right of first refusal***

Pursuant to the ZV Agreement, subject to the Vietnam Law on Enterprises, if any of the Investors desires to transfer all or part of its capital contributed to Zioncom Vietnam, such party shall first offer such capital in Zioncom Vietnam to Zioncom Hong Kong and the other Investor before offering to any third party.

## *The Investors' Undertaking*

In connection with the ZV Capital Injection, the Investors entered into the Investors' Undertaking with Zioncom Hong Kong and Zioncom Vietnam on 27 February 2019 (after trading hours), pursuant to which the Investors have given certain confidential undertakings in respect of the information relating to Zioncom Hong Kong, Zioncom Vietnam and their subsidiaries, as well as certain covenants on non-competition and non-solicitation in respect of the business, employees, suppliers, clients and customers of Zioncom Vietnam and its subsidiaries (if any).

The Directors consider the terms of the Investors' Undertaking are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON ZIONCOM VIETNAM**

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

Set out below is the summary of the key financial information of Zioncom Vietnam based on the audited financial statements of Zioncom Vietnam for the two years ended 31 December 2017 and the unaudited management accounts for the year ended 31 December 2018.

	For the year ended		Year ended 31 December 2017		Year ended 31 December 2016	
	31 December 2018		(audited)		(audited)	
	(unaudited)		(audited)		(audited)	
	VND	HK\$	VND	HK\$	VND	HK\$
	<i>(approximately)</i>		<i>(approximately)</i>		<i>(approximately)</i>	
Revenue	214,571,826,317	72,441,535	81,039,251,858	27,359,639	6,794,157,163	2,293,774
Net loss before taxation	20,606,490,450	6,956,952	8,182,777,948	2,762,585	3,495,693,429	1,180,180
Net loss after taxation	20,606,490,450	6,956,952	8,182,777,948	2,762,585	3,495,693,429	1,180,180

	As at 31 December 2018		As at 31 December 2017		As at 31 December 2016	
	(unaudited)		(audited)		(audited)	
	VND	HK\$	VND	HK\$	VND	HK\$
	<i>(approximately)</i>		<i>(approximately)</i>		<i>(approximately)</i>	
Total assets	284,487,923,575	96,045,889	214,666,568,302	72,473,521	102,833,791,065	34,717,688
Total liabilities	194,559,406,405	65,685,147	104,058,023,591	35,131,001	6,724,312,776	2,270,193
Net asset value	89,928,517,170	30,360,742	110,608,544,711	37,342,520	96,109,478,289	32,447,494

## **INFORMATION OF THE INVESTORS**

Noontec is a company incorporated in the British Virgin Islands with limited liability that manufactures and sells high quality audio and video products, and is an Independent Third Party as at the date hereof.

Mr. Fu is an Independent Third Party as at the date hereof.

## **FINANCIAL EFFECT OF THE ZV CAPITAL INJECTION**

Based on the existing information available to the Company, the Directors estimate that the gain to be recorded in the Group's consolidated financial statements arising from the ZV Capital Injection is approximately HK\$7,959,086, calculated based on the unaudited management accounts of Zioncom Vietnam for the year ended 31 December 2018. The actual amount of gain as a result of the deemed disposal to be recorded will be subject to exchange rate fluctuations and the review and final audit by the auditors.

## **REASONS FOR THE ZV CAPITAL INJECTION**

The Group is principally engaged in manufacturing and sales 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 management of Zioncom Vietnam has identified expansion opportunity for Zioncom Vietnam and estimated the capital requirements for its future development. Zioncom Vietnam intends to allocate the net proceeds for acquiring equipment, raw materials and finished goods. Subsequently, the management of Zioncom Vietnam proposed the ZV Capital Injection of US\$2,100,000 (equivalent to approximately HK\$16,380,000) to finance the said capital and its general working capital requirements.

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

## **GEM LISTING RULES IMPLICATIONS**

The ZV Capital Injection constitutes a deemed disposal of the Company's equity interest in Zioncom Vietnam under Rule 19.29 of the GEM Listing Rules.

As at the date of this announcement, Zioncom Hong Kong is the sole shareholder of Zioncom Vietnam. Noontec and Mr. Fu are Independent Third Party investors. As one of more of the applicable percentage ratios in respect of the ZV Capital Injection are more than 5% but less than 25%, the ZV Capital Injection constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the ZV Capital Injection 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
“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
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“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”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons
“Investor(s)”	Mr. Fu and/or Noontec
“Investors’ Undertaking”	an agreement dated 27 February 2019 entered into among Zioncom Hong Kong, Zioncom Vietnam, Noontec and Mr. Fu in relation to certain undertakings and covenants given by the Investors in favour of Zioncom Hong Kong, Zioncom Vietnam and their subsidiaries
“Mr. Fu”	Mr. Fu Kai Ping, an Independent Third Party as at the date of this announcement
“Noontec”	Noontec Ltd., a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party as at the date of this announcement
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vietnam”	The Socialist Republic of Vietnam
“Zioncom Hong Kong”	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
“Zioncom Vietnam”	Công Ty TNHH Zioncom (Vietnam) (Zioncom (Vietnam) Co., Ltd.*), a limited liability company incorporated under the laws of Vietnam and an indirect wholly-owned subsidiary of the Company prior to completion of the ZV Capital Injection
“ZV Agreement”	a conditional capital contribution agreement dated 27 February 2019 entered into among Zioncom Hong Kong, Noontec and Mr. Fu in relation to the ZV Capital Injection
“ZV Capital Injection”	the proposed increase of the charter capital of Zioncom Vietnam of US\$2,100,000 (equivalent to approximately HK\$16,380,000)
“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, 27 February 2019

*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:*

$$\begin{aligned} \text{US\$1} &= \text{HK\$7.80} \\ \text{VND2,962} &= \text{HK\$1} \end{aligned}$$

*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 are Mr. Kim Byung Kwon, Mr. Kim Jun Yeob, Mr. Koo Ja Chun and Mr. Xiao Jingen; and the independent non-executive Directors are Mr. Yiu Kwing Sum, Mr. Ko Ming Tung, Edward and Mr. Shin Dongmin.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 “Latest Company Announcements” page of the website of GEM of the Stock Exchange at <http://www.hkgem.com> for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at <http://www.zioncom.net>.*

\* For identification purposes only