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ZZ TECHNOLOGY GROUP COMPANY LIMITED

中植科技集團股份有限公司

*(formerly known as Zhongjin Technology Services Group Company Limited 中金科技服務集團股份有限公司)
(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 08295)

CONNECTED TRANSACTION ACQUISITION OF 40% EQUITY INTEREST IN MIANYANG KINGWISOFT ZHIYUAN INTERNET SERVICE CO., LTD.*

THE ACQUISITION

The Board is pleased to announce that on 12 May 2022 (after trading hours), the Purchaser, a deemed subsidiary of the Company, entered into the Equity Transfer Framework Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Equity Interest for a consideration of RMB5,000,000 (equivalent to approximately HK\$5,807,500).

The Equity Interest represent 40% of the equity interest in the Target Company. The Target Company is a 60% non-wholly owned subsidiary of the Purchaser and is principally engaged in the provision of back-office services (primarily provision of customer service solutions and setting up of contact service systems and centres) in the PRC.

GEM LISTING RULES IMPLICATIONS

As the Vendor is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the Target Company, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As none of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the transaction contemplated under the Equity Transfer Framework Agreement exceed 5%, the Acquisition does not constitute a notifiable transaction for the Company.

The Board has approved the Acquisition, and the independent non-executive Directors have also confirmed that the terms of the Equity Transfer Framework Agreement are fair and reasonable, the Acquisition is on normal commercial terms and in the interests of the Company and its shareholders as a whole. Therefore, by virtue of Rule 20.99 of the GEM Listing Rules, the Acquisition is subject to the reporting and announcement requirements applicable to connected transactions, but is exempt from the circular, independent financial advice and shareholder's approval requirements.

THE ACQUISITION

The Board is pleased to announce that on 12 May 2022 (after trading hours), the Purchaser, a deemed subsidiary of the Company, entered into the Equity Transfer Framework Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Equity Interest for a consideration of RMB5,000,000 (equivalent to approximately HK\$5,807,500). The salient terms of the Equity Transfer Framework Agreement are set out below:

Date

12 May 2022

Parties

Purchaser : Dalian Kingwisoft Technology Co., Ltd.* 大連金慧融智科技股份有限公司, a deemed subsidiary of the Company

Vendor : Sichuan Zhiyuan Fanglue Data Technology Group Co., Ltd.* 四川致遠方略數據科技集團有限公司

As at the date of this announcement, the Vendor is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the Target Company. For further details, please refer to paragraph headed "Information on the Vendor" in this announcement.

Assets to be acquired

The Equity Interest, representing 40% of the equity interest in the Target Company.

Consideration

The consideration for the Acquisition is RMB5,000,000 (equivalent to approximately HK\$5,807,500) which was determined based on arm's length negotiations among the Purchaser and the Vendor with reference to the actual capital contribution of the Vendor taking into account the unaudited net assets value of the Target Company as at 31 December 2021.

The consideration will be payable by the Purchaser within five (5) business days after (i) the completion of the registration procedures in relation to the relevant changes in Equity Interest and (ii) the collection of the new business licence of the Target Company (collectively, the “**Completion**”). The consideration will be satisfied by the internal resources of the Group.

Completion

Completion shall take place within ten (10) business days after the entering into of the Equity Transfer Framework Agreement.

INFORMATION ON THE PURCHASER, THE VENDOR AND THE TARGET COMPANY

Information on the Purchaser and the Group

The Purchaser is a company established under the laws of the PRC with limited liability and is a deemed subsidiary of the Company due to the Contractual Arrangements as defined in the Company's annual report for the year ended 31 March 2021. Its principal business is provision of data centre services and back-office services.

The Company is an investment holding company and the Group is principally engaged in investment holding, provision of back-office services (primarily provision of customer service solutions, and setting up of contact service systems and centres), comprehensive marketing services and data centre services.

Information on the Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a company established under the laws of the PRC with limited liability; and is principally engaged in third-party assessment of governmental and public affairs, research on social sentiment, survey on satisfaction, and research on business and marketing. The Vendor is owned as to approximately 95.507% by Ms. Kang Cuilan, approximately 0.096% by Mr. Kang Daguo and approximately 4.398% by Mianyang Bangben Enterprise Management Partnership* 綿陽邦本企業管理合夥企業 as at the date of the entering into of the Equity Transfer Framework Agreement.

The original cost of the Equity Interest to the Vendor is RMB4,000,000, representing 40% of the total paid-in capital for the establishment of the Target Company.

Information on the Target Company

Immediately prior to the Acquisition, the Target Company is owned by the Purchaser and the Vendor as to 60% and 40%, respectively. Following the Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser and a deemed indirect subsidiary of the Company. The Target Company is principally engaged in the provision of back-office services (primarily provision of customer service solutions and setting up of contact service systems and centres) in the PRC.

Financial information of the Target Company

Based on the unaudited financial statements of the Target Company for the year ended 31 December 2021, the total asset value and net asset value of Target Company as at 31 December 2021 were approximately RMB12.4 million and RMB10.3 million, respectively. Set out below is a summary of the unaudited financial information of the Target Company for the two years ended 31 December 2020 and 31 December 2021:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before tax	(571)	837
Net profit/(loss) after tax	(571)	831

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in investment holding, provision of back-office services (primarily provision of customer service solutions, and setting up of contact service systems and centres), comprehensive marketing services and data centre services.

Upon completion of the Acquisition, the Purchaser's equity interest in the Target Company will increase from 60% to 100%, which would in turn allow the Group to further increase its controlling interests in the Target Company and to further benefit from the positive earnings contributions that may be brought by the Target Company and the Group will be able to bring synergy effects to the existing back-office services (primarily provision of customer service solutions and setting up of contact service systems and centres) of the Group and enhance the Group's profitability.

The terms of the Equity Transfer Framework Agreement have been arrived at after arm's length negotiations among the Purchaser and the Vendor. The Directors (including the independent non-executive Directors) have confirmed that although the Acquisition is not in the ordinary and usual course of business of the Company's group, the terms of the Equity Transfer Framework Agreement and the transaction contemplated thereunder is fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. As at the date of this announcement, none of the Directors has any material interest in the Equity Transfer Framework Agreement and the transaction contemplated thereunder.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the Vendor is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the Target Company, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As none of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the transaction contemplated under the Equity Transfer Framework Agreement exceed 5%, the Acquisition does not constitute a notifiable transaction for the Company.

The Board has approved the Acquisition, and the independent non-executive Directors have also confirmed that although the Acquisition is not in the ordinary and usual course of business of the Company's group, the terms of the Equity Transfer Framework Agreement and the transaction contemplated thereunder is fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. Therefore, by virtue of Rule 20.99 of the GEM Listing Rules, the Acquisition is subject to the reporting and announcement requirements applicable to connected transactions, but is exempt from the circular, independent financial advice and shareholder's approval requirements.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Equity Interest by the Purchaser pursuant to the terms of the Equity Transfer Framework Agreement;
“Board”	the board of directors of the Company;
“Company”	ZZ Technology Group Company Limited 中植科技集團股份有限公司, an exempted company incorporated in the Cayman Islands on 5 January 2010 with limited liability and the Shares of which are listed on GEM (Stock Code: 08295);
“Director(s)”	the director(s) of the Company;
“Equity Interest”	40% of the equity interest held by the Vendor in the Target Company;
“Equity Transfer Framework Agreement”	the equity transfer framework agreement dated 12 May 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition;
“GEM”	GEM operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“Purchaser”	Dalian Kingwisoft Technology Co., Ltd.* 大連金慧融智科技股份有限公司, a deemed subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Mianyang Kingwisoft Zhiyuan Internet Service Co., Ltd.* 綿陽金慧致遠互聯網服務有限公司, a company established under the laws of the PRC with limited liability;
“Vendor”	Sichuan Zhiyuan Fanglue Data Technology Group Co., Ltd.* 四川致遠方略數據科技集團有限公司; and
“%”	per cent.

By order of the Board
ZZ Technology Group Company Limited
 中植科技集團股份有限公司
NIU Zhanbin
Chairman

Hong Kong, 12 May 2022

As at the date of this announcement, the executive Directors are Mr. NIU Zhanbin (Chairman), Mr. JIANG Yulin (Chief Executive Officer) and Mr. WU Hui (Chief Operating Officer); and the independent non-executive Directors are Mr. Stephen MARKSCHEID, Mr. ZHANG Weidong and Mr. ZENG Liang.

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 Listed Company Information” page of the website of GEM at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.zztech-group.com.

* For identification purpose only