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## **IMPRO PRECISION INDUSTRIES LIMITED**

**鷹普精密工業有限公司**

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

**(Stock code: 1286)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF ENTIRE EQUITY INTEREST OF NORTHMAN CHINA**

#### **THE ACQUISITION**

The Board is pleased to announce that on 7 April 2022 (after trading hours), Impro Fluidtek (as the Purchaser), an indirect wholly-owned subsidiary of the Company, and Best Fair (as the Seller) entered into the Equity Purchase Agreement pursuant to which Impro Fluidtek agreed to acquire the entire equity interest of Northman China from Best Fair for a total consideration of RMB552,251,000, subject to certain adjustments. Upon completion of the Acquisition, Northman China will become an indirect wholly-owned subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules for the transactions contemplated under the Equity Purchase Agreement is more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As the Acquisition is subject to the satisfaction of the conditions precedent as provided in the Equity Purchase Agreement, which may or may not be fulfilled, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## INTRODUCTION

The Board is pleased to announce that on 7 April 2022 (after trading hours), Impro Fluidtek (as the Purchaser), an indirect wholly-owned subsidiary of the Company, and Best Fair (as the Seller) entered into the Equity Purchase Agreement pursuant to which Impro Fluidtek agreed to acquire the entire equity interest of Northman China from Best Fair at a total consideration of RMB552,251,000, subject to certain adjustments. Upon completion of the Acquisition, Northman China will become an indirect wholly-owned subsidiary of the Company.

## THE AGREEMENT

The principal terms of the Equity Purchase Agreement are summarised as follows.

- Date:** 7 April 2022 (after trading hours)
- Parties:** (1) Impro Fluidtek as the Purchaser; and  
(2) Best Fair as the Seller.
- Subject Matter:** Subject to the terms and conditions of the Equity Purchase Agreement, the Purchaser agreed to acquire and the Seller agreed to sell the entire equity interest of the Target Company for a total consideration of RMB552,251,000 (the “**Consideration**”), which may be further adjusted by certain price adjustment mechanisms with reference to the net working capital, net cash and EBITDA of the Target Company as provided in the Equity Purchase Agreement.
- Basis of the Consideration:** The Consideration was arrived at after arm’s length negotiations on normal commercial terms between the Purchaser and the Seller with reference to the current business operations and market position of the Target Company, the current market value of the Target Company, current market conditions and future development prospects of the hydraulic industry.
- Payment Terms:** The Consideration shall be settled as follows:
- (a) An amount equal to the tax payable shall be withheld and paid to the relevant tax authority by the Purchaser.

- (b) An amount equal to 22.5% of the Consideration shall be settled by the Purchaser on the Closing Day through bank transfer to an escrow bank account opened with an escrow agent as agreed by the parties (the “**Amount Held in Escrow**”). Such Amount Held in Escrow shall be used either for the purpose of price adjustment under certain price adjustment mechanisms as stipulated in the Equity Purchase Agreement, or as damages paid to the Purchaser for breach of representations and warranties by the Seller as stipulated in the Equity Purchase Agreement. Subject to the aforesaid, the Purchaser shall unconditionally agree to release the Amount Held in Escrow to the bank account designated by the Seller within 10 business days following the two-year anniversary of the Closing Day, after deduction of the amount of price adjustment and damages in dispute which the Purchaser claims against the Seller for breach of representations and warranties by the Seller.
- (c) An amount equal to the remaining Consideration shall be paid by the Purchaser on the Closing Day through bank transfer to a bank account designated by the Seller.

**Source of Funding:**

The Acquisition will be funded by the Group’s internal financial resources and loan(s) with third party financial institutions.

**Conditions Precedent:**

The Equity Purchase Agreement shall take effect upon satisfaction of, among others, each of the following conditions:

- (a) the Purchaser shall not have breached any of its representations and warranties as stipulated in the Equity Purchase Agreement or other provisions thereunder which entitle the Seller to terminate the Equity Purchase Agreement;
- (b) the Purchaser shall have obtained all requisite internal approvals and authorizations in respect of the execution of the Equity Purchase Agreement and the Acquisition, and shall have delivered the copies of such internal approvals and authorization documents to the Seller upon execution of the Equity Purchase Agreement;
- (c) the Purchaser shall have delivered to the Seller copies of documents that can evidence the Purchaser’s source of funds to pay the Consideration and other related fees and expenses upon execution of the Equity Purchase Agreement;

- (d) the Purchaser shall have purchased warranty insurance with the insurance premium to be paid by the Target Company after the Closing Day;
- (e) the Seller shall not have breached any of its representations and warranties as stipulated in the Equity Purchase Agreement or other provisions thereunder which entitle the Purchaser to terminate the Equity Purchase Agreement;
- (f) the Seller shall have obtained all requisite internal approvals and authorizations in respect of the execution of the Equity Purchase Agreement and the Acquisition, and shall have delivered copies of such internal approvals and authorization documents to the Purchaser upon execution of the Equity Purchase Agreement;
- (g) from the date of the Equity Purchase Agreement to the Closing Day, there shall be no event that exerts or is expected to exert any material adverse impact on the Target Company;
- (h) there shall be no order, ruling, verdict, or other legal action by the courts or the government authorities with jurisdictions, litigation, or arbitration which restricts, prohibits or cancels the Acquisition or exerts or will exert any material adverse impact on the Acquisition;
- (i) the Seller shall have assisted the Purchaser in visiting and interviewing the key customers and key suppliers of the Target Company in a way that is mutually agreed by the Seller and Purchaser;
- (j) the Seller and the Purchaser shall have established the plan of arrangement for certain intellectual property rights;
- (k) the Seller and the Purchaser shall have executed an escrow agreement with the escrow agent for the Amount Held in Escrow; and
- (l) the Seller shall have provided the Purchaser with financial statements for the periods starting from January 2022 to each month preceding the month of the Closing Day.

**Termination:**

The Equity Purchase Agreement shall be terminated, among others, upon:

- (a) written agreement between the Seller and the Purchaser;
- (b) written notice by the Seller or the Purchaser to the other party in the event of orders, rulings, verdicts or other legal actions by the courts or the government authorities with jurisdictions which prohibits the Acquisition;
- (c) material breaches by the Seller or the Purchaser of their representation and warranties as provided in the Equity Purchase Agreement which are non-rectifiable, or unrectification of material breaches by the breaching party within 15 business days upon receipt of written notice by the other party;
- (d) any material adverse effect on the Seller or the Target Company which are non-eliminable, or any material adverse effect that could have been eliminated but was not eliminated within five business days; or
- (e) written notice by the Seller if the Acquisition is not closed within 120 days after the date of the Equity Purchase Agreement, or on an extended date that is agreed by the Seller in writing, in both events solely attributable to the Purchaser and provided that (i) all conditions precedent to the Purchaser's payment of the Consideration have been satisfied, (ii) the Seller has not breached any of its representations and warranties, and (iii) no force majeure event has occurred.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

**REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Directors believe that the Acquisition will bring the Group long-term benefits for the following reasons:

Firstly, the Group focuses on the manufacturing of high-precision, high-complexity and mission-critical casting and machined components, offering vertically integrated one-stop solutions for its diverse end market globally, including initial research and development, tooling design and manufacture, casting, heat treatment, secondary machining and surface treatment. As an important end market that the Group has been focusing on for a long time, the hydraulic industry is one of the Group's future strategic development directions.

Secondly, the Target Company is mainly engaged in the design, production and sales of hydraulic valves products, and maintains market competitiveness in product design, component production, brand recognition, customer relations, supply chain management and many other aspects. Upon completion of the Acquisition, the Group and the Target Company will generate comprehensive strategic and operational synergies in the hydraulic components and systems business in terms of product design, sales network, customer resources, supply chain management and global footprints.

In view of the abovementioned reasons, the Directors are of the view that the terms of the Acquisition are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

## **INFORMATION OF THE PARTIES INVOLVED**

### **Information of the Group and the Purchaser**

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange. The Group is a top 10 manufacturer of high-precision, high-complexity and mission-critical casting and machined components for diverse end market globally.

Impro Fluidtek is a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in manufacturing of fluid products and components.

### **Information of the Seller**

The Seller, Best Fair, is an exempted company incorporated under the laws of the British Virgin Islands with limited liability, and is principally engaged in investment holding. As at the date of this announcement, the Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Best Fair is ultimately beneficially owned as to 100% by Ms. Jocelyne Tseng, an Independent Third Party.

### **Information of the Target Company**

Northman China is a company established under the laws of the PRC with limited liability, and is principally engaged in design, production and sales of hydraulic valves. Hydraulic valves are widely used in hydraulic control functions of plastic injection molding machines, excavators, machine tools, forklifts and other equipment. As of the date of this announcement, Northman China is a wholly-owned subsidiary of the Seller.

Based on the financial statements of the Target Company prepared in accordance with the PRC GAAP, the audited net profits (before and after taxation) of the Target Company for the year ended 31 December 2020 and unaudited net profits (before and after taxation) of the Target Company for the year ended 31 December 2021 are as follows.

	<b>For the year ended 31 December 2020 (Audited) (RMB'000)</b>	<b>For the year ended 31 December 2021 (Unaudited) (RMB'000)</b>
Before taxation	16,405	24,191
After taxation	12,133	18,143

As at 31 December 2021, the unaudited total assets value and the unaudited net assets value of the Target Company amounted to RMB146,559,000 and RMB96,627,000, respectively.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules for the transactions contemplated under the Equity Purchase Agreement is more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the Equity Purchase Agreement or is required to abstain from voting at the Board meeting for considering and approving the same.

**As the Acquisition is subject to the satisfaction of the conditions precedent as provided in the Equity Purchase Agreement, which may or may not be fulfilled, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest of the Target Company by the Purchaser from the Seller, as contemplated under the Equity Purchase Agreement
“Best Fair” and “Seller”	Best Fair Assets Management Limited (佳輝資產管理有限公司), an exempted company incorporated under the laws of the British Virgin Islands with limited liability and an Independent Third Party as of the date of this announcement
“Board”	the board of Directors of the Company
“Closing Day”	the fifth business day upon which all the conditions precedent as stipulated in the Equity Purchase Agreement are fulfilled or waived, which can be adjusted by supplemental written agreements entered into between the Seller and the Purchaser according to the practical situation of the Acquisition and shall be no later than 120 days upon execution of the Equity Purchase Agreement
“Company”	Impro Precision Industries Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“EBITDA”	earnings before interest, taxes, depreciation, and amortization
“Equity Purchase Agreement”	the equity purchase agreement dated 7 April 2022 and entered into between the Seller and the Purchaser in relation to the acquisition of the entire equity interest of the Target Company by the Purchaser from the Seller
“Group”	the Company and its subsidiaries
“Impro Fluidtek” and “Purchaser”	Impro Fluidtek Limited (鷹普流體科技有限公司), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company

“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of its Company, its subsidiaries or any of their respective associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	generally accepted accounting principles as in effect from time to time in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” and “Northman China”	新會北部精機有限公司 (Northman Co., Ltd.*), a limited liability company established under the laws of the PRC and an Independent Third Party as of the date of this announcement

By order of the Board  
**Impro Precision Industries Limited**  
**LU Ruibo**  
*Chairman and Chief Executive Officer*

Hong Kong, 7 April 2022

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. LU Ruibo (chairman and chief executive officer), Ms. WANG Hui, Ina, Mr. YU Yuepeng, Ms. ZHU Liwei, and Mr. WANG Dong and three independent non-executive Directors, namely Mr. YU Kwok Kuen, Harry, Dr. YEN Gordon and Mr. LEE Siu Ming.*

\* For identification purposes only.