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IN TECHNICAL PRODUCTIONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8446)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 10% EQUITY INTEREST IN THE TARGET COMPANY

Financial adviser to the Company



RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

THE ACQUISITION

On 23 May 2023 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Target Shares, at the Consideration of RMB50,000,000 in cash. The Target Company, together with its subsidiary, is principally engaged in the operation and management of an e-commerce platform namely Shangou* (閃夠網). Upon Completion, the Target Company will be accounted for as an investment to the Company. The financial results of the Target Company will not be consolidated into the consolidated financial statements of the Company.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent as set out in the Sale and Purchase Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 23 May 2023 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Target Shares, at the Consideration of RMB50,000,000 in cash.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

23 May 2023 (after trading hours)

Parties

- (i) Guangzhou Yiciyuan Technology Company Limited* (廣州異次元科技有限公司), as purchaser; and
- (ii) Guangzhou Lingjing Smart Technology Company Limited* (廣州靈境智慧科技有限公司), as vendor.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Target Company, the Vendor and their beneficial owners are Independent Third Parties.

Target to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 10% of the registered capital of the Target Company together with all rights and interests attaching thereto (including all Transitional Dividends (as defined hereinafter) declared or paid before the Completion Date and all dividends declared or paid after Completion, whether arising from profits before or after Completion), free from all encumbrances and other third-party rights.

Consideration

The Consideration is RMB50,000,000, which shall be satisfied by cash in the following manner:

- (i) RMB40,000,000 would be payable within five business days upon signing of the Sale and Purchase Agreement; and
- (ii) RMB10,000,000 would be payable within 20 business days after the Completion Date (the “**Remaining Consideration**”).

After the signing of the Sale and Purchase Agreement and the payment of more than 50% of the Consideration, the Purchaser shall be entitled to all rights and obligations attached to the Target Shares. In the event that the Sale and Purchase Agreement is terminated or lapsed, any amount paid to the Vendor (including but not limited to any part of the Consideration) shall be returned to the Purchaser in full without interest within 10 business days after the date on which the Sale and Purchase Agreement is terminated or lapsed, and all rights and obligations attached to the Target Shares entitled by the Purchaser as a result of the payment of more than 50% of the Consideration shall be returned to the Vendor. The Company intends to fund the Consideration by the Group’s internal resources.

The Consideration was determined on normal commercial terms after arm’s length negotiation between the Purchaser and the Vendor with reference to (i) the registered capital of the Target Company of RMB500,000,000; (ii) the unaudited consolidated net asset value of the Target Company as at 31 December 2022; and (iii) the future business prospects of the Target Company and the e-commerce market in the PRC, details of which are set out in the paragraph headed "Reasons for and benefits of the Acquisition" in this announcement, which the Directors consider to be fair and reasonable.

Conditions precedent

Completion is conditional upon, among other things, the fulfilment of the following conditions:

- (i) the Purchaser having completed due diligence review of the legal, financial condition, books and records and business of the Target Company, the results of which being satisfactory to the Purchaser and the Purchaser having confirmed such results to the Vendor in writing;
- (ii) the Purchaser and the Company having obtained all necessary consents, waivers, approvals and permissions from all relevant internal and external organisations, institutions, government and regulatory authorities in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and such consents, waivers, approvals and permissions not having been revoked at or before Completion;

- (iii) the Vendor having obtained all necessary consents, waivers, approvals and permissions from all relevant internal and external organisations, institutions, government and regulatory authorities in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and such consents, waivers, approvals and permissions not having been revoked at or before Completion;
- (iv) there having been no material adverse change in the industry and policies applicable to the Target Company and no material adverse change in the condition (financial or otherwise), prospect, business, operating performance, management, assets and general affairs of the Target Company; and
- (v) all the representations, warranties and undertakings of the Vendor remaining true and accurate as at Completion, for which the Vendor shall have performed or complied with at or before Completion (as the case may be).

None of the above conditions can be waived. As at the date of this announcement, none of the above conditions was fulfilled.

If the above conditions have not been fulfilled on or before the Long Stop Date, the Sale and Purchase Agreement shall, subject to certain provisions of the Sale and Purchase Agreement expressed to survive the termination, cease to have effect. The cessation of effect shall not affect any obligations accrued by one party to another arising from any antecedent breaches of the Sale and Purchase Agreement.

Completion

Subject to the conditions precedent as set out in “Conditions Precedent” above being satisfied on or before the Long Stop Date, the Completion shall take place on the Completion Date.

Upon Completion, the Target Company will be accounted for as an investment to the Company. The financial results of the Target Company will not be consolidated into the consolidated financial statements of the Company.

Distribution of dividends

Without prejudice to the daily operation of the Target Company, the Target Company may declare and distribute dividends to its shareholders before the Completion Date. If the Target Company declares or distributes any dividends in respect of the Target Shares on or after the date of the Sale and Purchase Agreement and before the Completion Date (the “**Transitional Dividends**”), unless the Transitional Dividends are paid to the Purchaser within 20 business days after the Completion Date, otherwise the Purchaser has the right to deduct an amount equivalent to the Transitional Dividends from the Remaining Consideration and pay the remaining balance to the

Vendor within 20 business days after the Completion Date. If the Remaining Consideration is insufficient to offset the entire amount of the Transitional Dividends, the Vendor shall reimburse the shortfall to the Purchaser within 20 business days after the Completion Date.

INFORMATION ON THE PARTIES

The Group

The Company is an investment holding company whose Shares are listed on GEM. The Group is principally engaged in the provision of visual display solution services in Hong Kong, the PRC and Macau and the provision of information technology consulting services in the PRC.

The Vendor

Guangzhou Lingjing Smart Technology Company Limited* (廣州靈境智慧科技有限公司) is a limited liability company established in the PRC on 27 December 2021. Its principal activities include investment and provision of information technology services. As at the date of this announcement, the Vendor is owned as to 99% and 1% by Luo Qionshan (羅瓊珊) and Ma Wulan (馬武蘭), respectively, who are natural persons and PRC residents and Independent Third Parties.

The Target Company

Shenzhen Evolution Equation Technology Company Limited* (深圳市進化方程科技有限公司) is a limited liability company established in the PRC on 7 January 2020. The Target Company has one wholly-owned subsidiary, namely Guangxi Tangzhijiao Network Technology Co., Ltd.* (廣西棠之嬌網絡科技有限公司). The Target Company, together with its subsidiary, is principally engaged in the operation and management of an e-commerce platform namely Shangou* (閃夠網). The Target Company is a well-known innovative value creating e-commerce company in the PRC and is committed to creating a metaverse scene, which enables its users to collectively bid and purchase products at relatively low prices via the e-commerce platform. The products sold on Shangou primarily include imported goods, cosmetics, personal care and health products, home appliances, snacks, etc. As the selling price of a product would decrease when the quantity being ordered by the users through the e-commerce platform increases, this encourages the users to promote the platform to their peers so as to enjoy higher bulk purchase discount on the products they want, and thereby increases the user base of Shangou. The business partners of the Target Company include Fortune 500 companies which are leaders in their respective industries and equipped with strong capital and advanced technology. Together with its business partners and with an aim to becoming the leader in China-Africa e-commerce business, the Target Company is expanding its e-commerce business in Africa and it is expected

that the Target Company will gradually open up the e-commerce market in African countries. The overseas e-commerce platform is still under preparation and is expected to be launched in the fourth quarter of 2023.

As at the date of this announcement, the Target Company is owned as to approximately 52.3% by the Vendor, 10% by Lu Wenming (呂文明), 6.2% by Shenzhen Qianhai Yuheng Fund Management Investment Partnership (Limited Partnership)* (深圳市前海御亨基金管理投資合夥企業(有限合夥)), 5.0% by Liaocheng Chiping District Kehui Chuangfang Information Consulting Co., Ltd.* (聊城市茌平區科惠創方信息諮詢有限公司), 5.0% by Shenzhen Quasar Internet Technology Partnership (Limited Partnership)* (深圳市類星體互聯網科技合夥企業(有限合夥)), 5.0% by Shenzhen Lishi Trading Co., Ltd.* (深圳市栗氏貿易有限公司), 4.0% by Shenzhen Huijiangshunyuan Trading Company Limited* (深圳市滙江順源貿易有限公司) and 2.0% by Luo Qiongshan (羅瓊珊). The remaining approximately 10.5% equity interest in the Target Company is owned by 25 companies or individuals which individually hold less than 2.0% of the equity interest in the Target Company. Upon Completion, the Target Company shall be owned, among others, as to approximately 42.3% and 10% by the Vendor and the Purchaser, respectively.

Set out below is the unaudited consolidated financial information of the Target Company for each of the two years ended 31 December 2021 and 31 December 2022 prepared in accordance with generally accepted accounting principles in the PRC:

	Year ended 31 December 2021 (RMB'000)	Year ended 31 December 2022 (RMB'000)
Revenue	7,670	7,577
Loss before taxation	(2,965)	(21,586)
Loss after taxation	(2,965)	(21,586)

As at 31 December 2022, the unaudited consolidated net asset value of the Target Company was approximately RMB468.2 million. The Target Company incurred a loss in 2022, primarily due to the initial set up cost for the development of the cross-border e-commerce business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in the provision of visual display solution services in Hong Kong, the PRC and Macau and the provision of information technology consulting services in the PRC.

As disclosed in the annual report of the Company for the seven months ended 31 December 2022, the business of the Group improved significantly yet remained affected by the COVID-19 pandemic during the period. In this regard, the Group has been proactively seeking potential business opportunities to broaden its income source.

The e-commerce market in the PRC has continued to grow over the past few years. According to the E-commerce in China Report 2021 (中國電子商務報告2021) issued by the Ministry of Commerce of the PRC, the national online retail sales increased from approximately RMB7.2 trillion in 2017 to approximately RMB13.1 trillion in 2021, representing a compound annual growth rate of approximately 16.2%. Since the outbreak of COVID-19 in 2020 and the accompanying lock-down measures, businesses have accelerated their digitalisation and offline-to-online transformation as customers increasingly shifted their purchase from offline to online shopping, and thereby spurred further growth in retail e-commerce market. According to eMarketer, a subscription based market research company established in 1996 that provides insights and trends related to digital marketing, media and commerce (<https://www.emarketer.com/content/china-ecommerce-forecast-2022>), the PRC's retail e-commerce market is expected to grow and reach approximately US\$3.99 trillion (equivalent to approximately RMB27.6 trillion) in 2026.

As mentioned in the paragraph headed “Information on the Parties — The Target Company” above, Shangou offers an innovative sales model that encourages users to promote its e-commerce platform to their peers. The Directors expect that such business model will promote the development of the platform by rapidly expanding its user base. As such, the Directors believe that the Acquisition will enable the Group to grasp the growth momentum in the PRC's retail e-commerce market and expand the business scope and broaden the income source of the Group, which are beneficial to the long-term development of the Group.

Having considered the above factors, the Board considers that the terms of the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent as set out in the Sale and Purchase Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Purchaser of the Target Shares pursuant to the terms and conditions of the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Company”	In Technical Productions Holdings Limited (stock code: 8446), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the fifth (5th) business day after the date on which the conditions set out in the Sale and Purchase Agreement are fulfilled or such other date as the Purchaser and the Vendor may agree (not being later than the Long Stop Date)
“Consideration”	the consideration of RMB50,000,000 for the Acquisition

“Director(s)”	member(s) of the Board of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“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 and not connected (as defined under the GEM Listing Rules) with the Company and its connected person(s)
“Long Stop Date”	30 September 2023, or such later date as the Purchaser and the Vendor may agree
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Guangzhou Yiciyuan Technology Company Limited* (廣州異次元科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 23 May 2023 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shenzhen Evolution Equation Technology Company Limited* (深圳市進化方程科技有限公司), a company established in the PRC with limited liability and owned as to 52.3% by the Vendor as at the date of this announcement

“Target Shares”	10% of the registered capital of the Target Company
“Vendor”	Guangzhou Lingjing Smart Technology Company Limited* (廣州靈境智慧科技有限公司), a company established in the PRC with limited liability and owned as to 99% and 1% by Luo Qionshan (羅瓊珊) and Ma Wulan (馬武蘭), respectively
“%”	per cent.

By order of the Board
In Technical Productions Holdings Limited
Ma Lie
Chairman and Executive Director

Hong Kong, 23 May 2023

** For identification purpose only*

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Ma Lie, Mr. Yeung Ho Ting Dennis and Ms. Zhang Yan Ling; and six independent non-executive Directors, namely, Mr. Cui Hai Bin, Mr. Chen Yue, Ms. Jiang Yu E, Mr. Ji Gui Bao, Mr. Li Xiao Hua and Mr. Jiang Peiyan.

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 websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.intechproductions.com.