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EVA Precision Industrial Holdings Limited

億和精密工業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 838)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

ACQUISITION OF THE TARGET COMPANY

The Board is pleased to announce that on 16 April 2021, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor and the Target Company, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company at an initial consideration of RMB57.86 million (approximately HK\$68.83 million), subject to adjustments. The Target Company is principally engaged in the manufacturing and sale of office equipment in the PRC.

LISTING RULES IMPLICATIONS

Since certain applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the notification and announcement requirements but is not required to be approved by the shareholders of the Company.

INTRODUCTION

The Board is pleased to announce that on 16 April 2021, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor and the Target Company, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company at an initial consideration of RMB57.86 million (approximately HK\$68.83 million), subject to adjustments. The Target Company is principally engaged in the manufacturing and sale of office equipment in the PRC.

PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are summarised as follows:

- Date** : 16 April 2021
- Parties** : (i) Shenzhen EVA Precision Technology Group Limited*
(深圳市億和精密科技集團有限公司), as the purchaser;
- (ii) Futaba Industrial Co., Ltd.*
(雙葉產業株式會社), as the vendor
- (iii) Futaba Metal Products (Shenzhen) Co., Ltd.*
(雙葉金屬製品(深圳)有限公司), as the Target Company

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor, the Target Company and their respective ultimate beneficial owner(s) are third parties independent of each of the Company and its connected persons (as defined under the Listing Rules).

Assets to be acquired

The assets to be acquired by the Purchaser pursuant to the Agreement are the entire equity interest in the Target Company. The Target Company operates an industrial park located in Shenzhen, the PRC. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group, and the Group will own all tangible and intangible assets of the Target Company. The Target Company is principally engaged in the manufacturing and sale of office equipment in the PRC.

Consideration and adjustments

The Purchaser's obligation to pay the consideration is subject to the Vendor having obtained all requisite corporate approvals for the Acquisition, such condition could be waived with the consent of both the Purchaser and the Vendor.

The amount of consideration payable by the Purchaser would initially be RMB57.86 million (approximately HK\$68.83 million), which is subject to adjustments. The initial consideration represents the audited net asset value of the Target Company as at 31 December 2020 less, among other things set out in the Agreement, obsolete assets and other (actual or contingent) liabilities as at 31 December 2020 ("**2020 Deductible Amount**"). The 2020 Deductible Amount had been identified under the due diligence exercise conducted by the Purchaser prior to the date of the Agreement.

The initial consideration would be adjusted by the difference in amount of the net asset value of the Target Company as at 28 February 2021 less, among other things set out in the Agreement, obsolete assets and other (actual or contingent) liabilities as at 28 February 2021 ("**2021 Deductible Amount**"). The 2021 Deductible Amount would be identified by the stock-taking and inspection processes to be conducted by the Purchaser after the date of the Agreement and require the Vendor's confirmation.

Notwithstanding the above, the parties have agreed that the maximum amount of consideration payable by the Purchaser would not, in any event, exceed the initial consideration of RMB57.86 million (approximately HK\$68.83 million).

The consideration shall be paid by the Purchaser in the following manner:

- (i) the sum of RMB39.26 million (approximately HK\$46.70 million), representing 67.86% of the initial consideration ("**First Payment**"), shall be paid within 5 business days following the Purchaser has obtained both (i) the relevant approvals from the SAMR (including but not limited to the Decision on No Further Review in relation to Concentration of Business Operators and Anti-monopoly Review* (經營者集中反壟斷審查不實施進一步審查決定書) or the Decision on No Prohibition for the Review on the Anti-Monopoly Concentrations of Undertakings* (經營者集中反壟斷審查不予禁止決定書), and (ii) relevant approvals of the State Administration of Foreign Exchange of the PRC; and
- (ii) the remaining balance (subject to adjustments) shall be paid within 15 business days following the Stock-Take End Date.

The initial consideration of RMB57.86 million (approximately HK\$68.83 million) was arrived at following arm's length negotiations between the Vendor and the Purchaser having taken into account the audited net asset value of the Target Company as at 31 December 2020, and the Company's assessment of the perceived business value and synergy effect of the Target Company to the Group. The final consideration will take into account the net asset value of the Target Company as at 28 February 2021.

As at the date of this announcement, the Group intends that the consideration will be funded by internal resources of the Group.

Condition precedent and Completion

Completion would be conditional upon there being no prohibition from the SAMR with respect to the Acquisition. According to the Guidelines for the Anti-monopoly Review for Concentration of Business Operators* (經營者集中反壟斷審查辦事指南), the SAMR can take up to 180 days to conduct the anti-monopoly review and issue a decision on whether to allow a transaction.

If SAMR prohibits the Acquisition, the Agreement will be terminated, in which case the Purchaser and the Vendor will be released and discharged from their respective obligations under the Agreement.

The parties shall use their best efforts to complete all registration and filing requirements with the relevant governmental authorities in the PRC in connection with the Acquisition following the First Payment. Completion shall take place on the day on which the relevant registrations and filings requirements in connection with the Acquisition are completed.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC and is wholly-owned by the Vendor. The Target Company is principally engaged in the manufacturing and sale of office equipment in the PRC.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statements.

Set out below is the financial information of the Target Company as extracted from its audited financial statements for the two years ended 31 December 2020:

	Year ended 31 December	
	2020	2019
	<i>(RMB in thousands)</i>	
	<i>(audited)</i>	<i>(audited)</i>
Profit before income tax	8,184	5,835
Net profit/(loss)	5,910	(7,769)

The total assets and net assets of the Target Company as of 31 December 2020, based on its audited financial statements prepared in accordance with the PRC Accounting Standards for Enterprises, were approximately RMB197,063,000 and RMB121,328,000, respectively.

INFORMATION ON THE VENDOR

The Vendor is a company listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange in Japan (Stock Code: 7241). The Vendor and its subsidiaries are principally engaged in the manufacturing and sale of automobile parts, machineries for manufacturing, office equipment, greenhouse equipment and their relevant moulds and components.

INFORMATION ON THE PURCHASER AND THE COMPANY

The Purchaser is a wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and principally engaged in the precision manufacturing and production of moulds and components in the PRC.

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components and automated assembly services with high quality standard and dimensional accuracy.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is a manufacturer of office equipment in the PRC, specialising in the manufacturing of components for photocopiers and laser printers. Before the Acquisition, the Target Company is one of our competitors in the office automation equipment business segment.

Our Directors believe that the Target Company has built a strong market presence and supply-chain, and accumulated substantial experience and know-how in the manufacturing of photocopiers and laser printers. The Target Company's customers include well-known Japanese office automation equipment manufacturers. Our Directors are of the view that the Acquisition will create a strong synergy with the Group's existing office automation equipment business, enhancing our market position and market share, particularly in the manufacturing of photocopiers and laser printers. Furthermore, through the Acquisition, our Directors believe that the Group can benefit from the business contracts and other resources of the Target Company, creating potential business opportunities for the Group's businesses in the future.

After taking into account the factors set out above, the Directors considered that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Since certain applicable percentage ratios in respect of the Acquisition exceeded 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the notification and announcement requirements but is not required to be approved by the shareholders of the Company.

DEFINITIONS

In this announcement, the following terms have the meanings set forth below unless the context requires otherwise:

“2020 Deductible Amount”	has the meaning ascribed to it in the section headed 'Consideration and adjustments' in this announcement
“2021 Deductible Amount”	has the meaning ascribed to it in the section headed 'Consideration and adjustments' in this announcement
“Acquisition”	the acquisition of the entire equity interest in the Target Company pursuant to the terms and conditions set out in the Agreement
“Agreement”	the equity transfer agreement dated 16 April 2021 entered into between the Vendor, the Purchaser and the Target Company, in relation to the Acquisition
“Board”	the board of Directors
“Company”	EVA Precision Industrial Holdings Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“First Payment”	has the meaning ascribed to it in the section headed “Consideration and adjustments” in this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China which, for the purpose of this announcement only, excludes Taiwan, Hong Kong and Macao Special Administrative Region

“Purchaser”	Shenzhen EVA Precision Technology Group Limited* (深圳市億和精密科技集團有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	the State Administration for Market Regulation of the PRC or its local counterparts
“Stock-Take End Date”	the day on which the Purchaser has completed the stock-taking and inspection processes on the Target Company, which in any event shall be no later than 16 August 2021
“Target Company”	Futaba Metal Products (Shenzhen) Co., Ltd.* (雙葉金屬製品(深圳)有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of the Vendor prior to the Completion
“Vendor”	Futaba Industrial Co., Ltd.* (雙葉產業株式會社), a company incorporated under the laws of Japan with limited liability, the share of which are listed on the Tokyo Stock Exchange and Nagoya Stock Exchange (Stock Code: 7241)

By order of the Board
EVA Precision Industrial Holdings Limited
Zhang Hwo Jie
Chairman

Hong Kong, 16 April 2021

As at the date of this announcement, the Board comprises three executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice Chairman), and Mr. Zhang Yaohua (Chief Executive Officer) and three independent non-executive directors, being Mr. Lam Hiu Lo, Dr. Chai Ngai Chiu Sunny and Ms. Ling Kit Sum.

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*