IMPRO PRECISION INDUSTRIES LIMITED
鷹普精密工業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 01286)

PROFIT WARNING

This announcement is made by Impro Precision Industries Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company is scheduled to report its annual results for the year ended 31 December 2020 ("**Financial Year**") by mid-March 2021. Ahead of this annual results announcement (and prior to the finalisation of the audited consolidated financial statements for the Financial Year), based on a preliminary assessment by the management of the Company with reference to the information currently available to the Company and based on the unaudited consolidated management accounts of the Group for the Financial Year, the Board of Directors of the Company wishes to inform shareholders and potential investors that the Group expects to record a loss attributable to shareholders in the range of HK$140 to HK$160 million for the Financial Year as compared to a profit attributable to shareholders of HK$539 million for the year ended 31 December 2019.

Reference is made to the interim results announcement of the Company for the six months ended 30 June 2020 dated 13 August 2020 (the "**Interim Results Announcement**") and the interim report of the Company for the six months ended 30 June 2020 (the "**Interim Report**"). As disclosed in the Interim Results Announcement and the Interim Report, the Group reported a loss attributable to shareholders of HK$270 million primarily due to an impairment loss of goodwill and other assets net of tax of HK$444 million in relation to the past acquisitions, and to a less extent, the outbreak of COVID-19 pandemic throughout Europe and North America which adversely affected the Group's revenue. Based on unaudited consolidated management accounts, the revenue of the Group for the Financial Year decreased by approximately 20% as compared to the year ended 31 December 2019. In addition, the Group recorded net exchange loss of approximately HK$30 million during the six months ended 31 December 2020, primarily due to the appreciation of Renminbi. As such, it is expected that the financial performance of the Group will be adversely affected.

SOLID FINANCIAL POSITION AND STRONG FREE CASH FLOW

The Company would like to emphasize that the Group's financial position remains solid. As at 31 December 2020, the estimated cash and bank balances of the Group were approximately HK$577 million while estimated bank loans and lease liabilities of the Group were approximately HK$854 million, which means a net debt of approximately HK$277 million (31 December 2019: HK$508 million) and a net gearing ratio of approximately 7%. The estimated reduction of net debt of approximately HK$231 million was due to strong operating cash flow of the Group less capital expenditures paid, and less dividends paid of HK$105 million during the Financial Year. Meanwhile, the Group has approximately HK$1 billion total banking facilities available for drawn-down as at 31 December 2020.

The information contained in this announcement is solely based on a preliminary assessment by the management of the Company with reference to the information currently available to the Company and based on the unaudited consolidated management accounts of the Group for the Financial Year, which are yet to be finalised and have not yet been audited by the Company's auditors or reviewed by the audit committee of the Company.

The annual results announcement of the Company for the year ended 31 December 2020 is expected to be published by mid-March 2021.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
IMPRO PRECISION INDUSTRIES LIMITED
LU Ruibo
Chairman

Hong Kong, 29 January 2021

As of the date of this announcement, the Board comprises five executive Directors, namely Mr. LU Ruibo, Ms. WANG Hui, Ina, Mr. YU Yuepeng, Ms. ZHU Liewi and Mr. WANG Dong; and three independent non-executive Directors, namely Mr. YU Kwok Kuen Harry, Dr. YEN Gordon and Mr. LEE Siu Ming.