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EVA Precision Industrial Holdings Limited

億和精密工業控股有限公司

(Incorporated with limited liability in the Cayman Islands)

(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 19 July 2022, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interest in the Target Company at an initial consideration of approximately RMB62 million (approximately HK\$72 million), subject to adjustments. The Target Company is principally engaged in the manufacturing of digital laser printing devices, multi-function copiers and other printing devices in the PRC.

On 19 July 2022, EVA Group (the indirect holding company of the Purchaser, and a wholly-owned subsidiary of the Company) and FB (the indirect holding company of the Vendor) entered into the Framework Manufacturing Agreement, pursuant to which (1) EVA Group and FB have agreed to enter into the Manufacturing Arrangement which provides for the provision of manufacturing services by the Group with respect to printing devices, spare parts, accessories and related products as specified by the Framework Manufacturing Agreement to FB following Completion; and (2) FB has undertaken that the Group will receive for the Manufacturing Arrangement a minimum purchase amount of US\$106 million, US\$106 million, and US\$86 million, respectively, for each of the first three years following the Completion in accordance with the terms of the Framework Manufacturing Agreement.

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 19 July 2022, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interest in the Target Company at an initial consideration of approximately RMB62 million (approximately HK\$72 million), subject to adjustments. The Target Company is principally engaged in the manufacturing of digital laser printing devices, multi-function copiers and other printing devices in the PRC.

On 19 July 2022, EVA Group (the indirect holding company of the Purchaser, and a wholly-owned subsidiary of the Company) and FB (the indirect holding company of the Vendor) entered into the Framework Manufacturing Agreement, pursuant to which (1) EVA Group and FB have agreed to enter into the Manufacturing Arrangement which provides for the provision of manufacturing services by the Group with respect to printing devices, spare parts, accessories and related products as specified in the Framework Manufacturing Agreement to FB following Completion; and (2) FB has undertaken that the Group will receive for the Manufacturing Arrangement a minimum purchase amount of US\$106 million, US\$106 million, and US\$86 million, respectively, for each of the first three years following the Completion in accordance with the terms of the Framework Manufacturing Agreement.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date : 19 July 2022

Parties : (i) EVA Precision Industrial (Weihai) Limited* (億和精密工業(威海)有限公司), as the purchaser; and
(ii) FUJIFILM Business Innovation China Corp.* (富士膠片商業創新(中國)有限公司), as the vendor

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendor and its 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

Pursuant to the Equity Transfer Agreement, the Purchaser will acquire the entire equity interest in the Target Company. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, 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 of digital laser printing devices, multi-function copiers and other printing devices in the PRC.

Consideration and adjustments

The amount of consideration payable by the Purchaser would initially be approximately RMB62 million (approximately HK\$72 million), which is subject to adjustments. The initial consideration represents the net asset value of the Target Company as at 31 December 2021 less the Target Company's contingent expense amount as agreed between the parties ("**Contingent Amount**").

The initial consideration would be adjusted by the difference in amount between (i) the initial consideration and (ii) the net asset value of the Target Company as at 30 November 2022, less (a) the Contingent Amount (where such Contingent Amount may be reduced by any actual payment of such amount by the Target Company prior to 30 November 2022); and (b) other liabilities as at 30 November 2022 that may be identified by the due diligence exercise to be conducted by the Purchaser. The due diligence process will complete before the Completion Date, and the final consideration would be determined by the parties within 45 days from the Completion Date.

Notwithstanding the above, the Vendor and the Purchaser have agreed that the maximum amount of consideration payable by the Purchaser would not, in any event, exceed the net asset value of the Target Company as at 31 December 2021 of approximately RMB262 million (approximately HK\$304 million).

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

- (i) the amount of approximately RMB37 million (approximately HK\$43 million), representing 60% of the initial consideration, shall be paid on the Completion Date; and
- (ii) the remaining balance of the final consideration (subject to adjustments to be determined within 45 days from the Completion Date) shall be paid within 60 days from the Completion Date.

The initial consideration of approximately RMB62 million (approximately HK\$72 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 2021, the Contingent Amount, and the Company's assessment of the perceived business value and synergy effect of the Target Company to the Group.

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

Conditions precedent and Completion

Completion will be conditional upon the fulfilment or waiver of the following conditions precedent:

- 1) the parties shall have obtained their respective internal approvals in relation to the Acquisition;
- 2) the new company name of the Target Company following Completion shall have been approved by the relevant governmental authorities in the PRC;
- 3) the relevant resignation and appointment documents for the exiting and incoming senior management of the Target Company and all documents required for the registration and filing of the transfer of equity with SAMR shall have been prepared;
- 4) the Vendor and the Target Company shall cooperate with the Purchaser to complete the due diligence on the Target Company conducted by the Purchaser;
- 5) the Target Company or its affiliated companies shall have executed certain manufacturing contracts with the affiliated companies of the Vendor with respect to, among other things, pricing of products, costs of spare parts and other production components, usage of information system and software and treatment of intellectual rights, for the purpose of giving effect to the Manufacturing Arrangement; and
- 6) the Purchaser shall have obtained the relevant approvals from 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)).

If any of the conditions precedent above is not fulfilled on or before the Completion Date, the relevant party may waive such condition and proceed to Completion or extend the Completion Date to another date. Notwithstanding the above, if SAMR prohibits the Acquisition, the Equity Transfer Agreement and the Framework Manufacturing Agreement will be terminated, in which case the parties will be released and discharged from their respective obligations under the Equity Transfer Agreement and the Framework Manufacturing Agreement.

At the Completion, the Vendor shall deliver all the company chops and seals, as well as the business registration certificate, of the Target Company to the Purchaser, and the Target Company shall attend to the filing and registration requirements with SAMR with respect to the Acquisition.

The Completion is scheduled to take place on 1 December 2022 or such other date as may be extended pursuant to the Equity Transfer Agreement.

PRINCIPAL TERMS OF THE FRAMEWORK MANUFACTURING AGREEMENT

The principal terms of the Framework Manufacturing Agreement are summarised as follows:

Date : 19 July 2022

Parties : (i) EVA Group Limited; and
(ii) FUJIFILM Business Innovation Corp.* (富士膠片商業創新株式會社)

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

Manufacturing Arrangement following Completion

Under the Manufacturing Arrangement, FB has undertaken to place orders with the Group for the manufacturing services and sale of printing devices, spare parts, accessories and related products as specified in the Framework Manufacturing Agreement to FB after Completion has taken place.

In addition to the above, pursuant to the Framework Manufacturing Agreement:

- 1) FB has undertaken that the Group will receive for the Manufacturing Arrangement a minimum purchase amount of US\$106 million, US\$106 million, and US\$86 million, respectively, for each of the first three years following the Completion in accordance with the terms of the Framework Manufacturing Agreement;
- 2) subject to (3) below, FB shall compensate the Group for its loss if its purchase orders do not meet the relevant minimum purchase amount; and
- 3) FB will not be obliged to compensate if the Group fails to deliver the relevant products by reason of delay in delivery or defects in product quality, or its purchase orders are affected by the outbreak of wide-spread epidemic or the occurrence of any event of force majeure such as natural disaster.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established under the laws of the PRC, and immediately prior to the Completion, is wholly-owned by the Vendor, which is in turn wholly-owned by FB. The Target Company is principally engaged in the manufacturing of digital laser printing devices, multi-function copiers and other printing devices 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 2021:

	Year ended 31 December	
	2021	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(audited)	(audited)
Profit before income tax	811	17,053
Net profit	470	13,198

The total assets and net assets of the Target Company as of 31 December 2021, based on its audited financial statements prepared in accordance with the China Standards on Auditing for Certified Public Accountants, were approximately RMB439,737,000 and RMB262,234,000, respectively.

INFORMATION ON FB AND THE VENDOR

FB is a company incorporated under the laws of Japan with limited liability, and a wholly-owned subsidiary of FUJIFILM Holdings Corporation (JPX stock code: 4901), a company listed on the Tokyo Stock Exchange. The Vendor is a company established under the laws of the PRC with limited liability, and a wholly-owned subsidiary of FB. FB and its subsidiaries are principally engaged in the manufacturing, development and sale of xerographic and document-related products and services globally.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Equity Transfer Agreement and the Framework Manufacturing Agreement, there are no financing or other arrangements within the last 12 months between FB, the Vendor and their respective ultimate beneficial owners on the one hand, and the Company and/or any of its connected persons (as defined under the Listing Rules) on the other.

INFORMATION ON THE COMPANY, EVA GROUP AND THE PURCHASER

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.

EVA Group is a wholly-owned subsidiary of the Company incorporated under the laws of Hong Kong with limited liability and an investment holding company.

“Board”	the board of Directors
“Company”	EVA Precision Industrial Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Completion Date”	the date on which Completion takes place pursuant to the Equity Transfer Agreement
“Contingent Amount”	has the meaning ascribed to it in the section headed “Principal Terms of the Equity Transfer Agreement – Consideration and adjustments” in this announcement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 19 July 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition
“EVA Group”	EVA Group Limited, a company incorporated under the laws of Hong Kong with limited liability, and a wholly-owned subsidiary of the Company
“FB”	FUJIFILM Business Innovation Corp. * (富士膠片商業創新株式會社), a company incorporated under the laws of Japan with limited liability, and a wholly-owned subsidiary of FUJIFILM Holdings Corporation (JPX stock code: 4901), a company listed on the Tokyo Stock Exchange
“Framework Manufacturing Agreement”	the framework manufacturing agreement dated 19 July 2022 entered into between EVA Group and FB in relation to the Manufacturing Arrangement
“Group”	the Company and its subsidiaries
“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

“Manufacturing Arrangement”	the arrangement between FB and EVA Group which provides for the provision of manufacturing services by the Group with respect to printing devices, spare parts, accessories and related products to FB pursuant to the Framework Manufacturing Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Taiwan, Hong Kong and the Macao Special Administrative Region
“Purchaser”	EVA Precision Industrial (Weihai) Limited* (億和精密工業(威海)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 Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	FUJIFILM Business Equipment Shanghai Corp. * (富士膠片商務設備(上海)有限公司), a limited liability company established under the laws of the PRC, and a wholly-owned subsidiary of the Vendor immediately prior to the Completion
“US\$”	United States dollar, the lawful currency of the United States of America
“Vendor”	FUJIFILM Business Innovation China Corp.* (富士膠片商業創新(中國)有限公司), a limited liability company established under the laws of the PRC, and a wholly-owned subsidiary of FB

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

Hong Kong, 19 July 2022

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), the PRC laws and regulations (if any) and the Japanese established companies or entities (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.*