

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **IPE GROUP LIMITED**

**國際精密集團有限公司\***

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

**(Stock Code: 929)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY**

The Board is pleased to announce that the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement with the Vendors on 6 May 2021, pursuant to which the Purchaser agreed to purchase from the Vendors an aggregate of 95.7619% equity interest in the Target Company at the aggregate consideration of RMB78,970,717.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement, when aggregated, exceeded 5% but was less than 25%, the entering into of the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement constituted a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

\* *For identification purpose only*

The Board is pleased to announce that the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement with the Vendors on 6 May 2021, pursuant to which the Purchaser agreed to purchase from the Vendors an aggregate of 95.7619% equity interest in the Target Company at the aggregate consideration of RMB78,970,717.

Upon the completion of the acquisitions under the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement, the Purchaser will hold an aggregate of 95.7619% equity interest of the Target Company. The Target Company will become an indirect non wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the accounts of the Group.

### **THE FIRST EQUITY TRANSFER AGREEMENT**

Under the terms of the First Equity Transfer Agreement, the Purchaser agreed to acquire from Mr. Shang and Mr. Zhao an aggregate of 29.2683% equity interest in the Target Company at an aggregate consideration of RMB13,170,717.

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

#### **Date**

6 May 2021

#### **Parties**

- (1) the Purchaser;
- (2) Mr. Shang; and
- (3) Mr. Zhao.

## **Acquisition of equity interests of the Target Company**

Under the terms of the First Equity Transfer Agreement, the Purchaser agreed to acquire equity interest of the Target Company from Mr. Shang and Mr. Zhao as follows:

- (1) the Purchaser agreed to acquire 25.0301% equity interest of the Target Company from Mr. Shang at the consideration of RMB11,263,537; and
- (2) the Purchaser agreed to acquire 4.2382% equity interest of the Target Company from Mr. Zhao at the consideration of RMB1,907,180.

## **Consideration**

The consideration shall be payable by the Purchaser to Mr. Shang and Mr. Zhao in the following manner:

### *The first tranche payment*

- (1) the Purchaser shall pay RMB1,001,192 and RMB169,525 to Mr. Shang and Mr. Zhao respectively within five business days after the fulfilment of, among others, the following conditions:
  - (a) the shareholders of the Target Company passing a shareholders' resolution approving the First Equity Transfer Agreement and confirming the waiver of the pre-emptive rights of the other shareholders in relation to the equity interest;
  - (b) the Purchaser having completed the due diligence over the Target Company and the results of which being satisfactory to the Purchaser;
  - (c) the information provided by Mr. Shang, Mr. Zhao and the Target Company to the Purchaser is true, accurate and complete;
  - (d) there is no outstanding litigations, arbitrations, judgments or orders which have been initiated against Mr. Shang, Mr. Zhao and the Target Company, and which have a material adverse impact on the transactions contemplated under the First Equity Transfer Agreement; and
  - (e) there is no event which have a material adverse impact on the financial conditions, operating results, assets and business of the Target Company.

*The second tranche payment*

- (2) Mr. Shang and Mr. Zhao shall settle their shareholders' loan due to the Target Company in the amount of RMB1,001,192 and RMB169,525 respectively (the "**Shareholders' Loans**") within three business days after receipt of the first tranche payment.

Within three business days after the settlement of the aforesaid Shareholders' Loans by Mr. Shang and Mr. Zhao, the Purchaser shall pay the remaining consideration, being RMB10,262,345 and RMB1,737,655, to Mr. Shang and Mr. Zhao respectively.

In the event that Mr. Shang and Mr. Zhao fail to settle the Shareholders' Loans within three business days after receipt of the first tranche payment, Mr. Shang and Mr. Zhao shall return the first tranche payment and pay a compensation amount of RMB350,000 to the Purchaser.

The basis of the consideration was determined after arm's length negotiations among the Purchaser, Mr. Shang and Mr. Zhao mainly taking into consideration of the original acquisition cost of the equity interest in the Target Company by Mr. Shang and Mr. Zhao, being RMB11,263,537 and RMB1,907,180, respectively.

**Completion**

Mr. Shang and Mr. Zhao shall complete the relevant registration procedures in relation to the transfer of the equity interest to the Purchaser (or other entities as designated by the Purchaser) with the relevant industry and commerce bureau in the PRC within five business days after the date of payment of the second tranche payment by the Purchaser. If Mr. Shang and Mr. Zhao fail to complete the aforesaid registration procedures for over 15 days after the expiry of the aforesaid time, the Purchaser shall be entitled to terminate the First Equity Transfer Agreement, and Mr. Shang and Mr. Zhao shall return the aforesaid first tranche payment and the second tranche payment and pay a compensation amount of RMB12,000,000 to the Purchaser within three days after the termination of the First Equity Transfer Agreement.

## **THE SECOND EQUITY TRANSFER AGREEMENT**

Under the terms of the Second Equity Transfer Agreement, the Purchaser agreed to acquire from Mr. Tan and Mr. Huang an aggregate of 29.4507% equity interest in the Target Company at an aggregate consideration of RMB25,800,000.

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

### **Date**

6 May 2021

### **Parties**

- (1) the Purchaser;
- (2) Mr. Tan; and
- (3) Mr. Huang.

### **Acquisition of equity interests of the Target Company**

Under the terms of the Second Equity Transfer Agreement, the Purchaser agreed to acquire equity interest of the Target Company from Mr. Tan and Mr. Huang as follows:

- (1) the Purchaser agreed to acquire 24.8842% equity interest of the Target Company from Mr. Tan at the consideration of RMB21,799,555; and
- (2) the Purchaser agreed to acquire 4.5665% equity interest of the Target Company from Mr. Huang at the consideration of RMB4,000,445.

### **Consideration**

The consideration shall be payable by the Purchaser to Mr. Tan and Mr. Huang in the following manner:

#### *The first tranche payment*

- (1) the Purchaser shall pay RMB10,899,777 and RMB2,000,223 to Mr. Tan and Mr. Huang respectively within five business days after the fulfilment of the conditions similar to that for the First Equity Transfer Agreement.

### *The second tranche payment*

- (2) the Purchaser shall pay the remaining consideration, being RMB10,899,778 and RMB2,000,222, to Mr. Tan and Mr. Huang respectively within five business days after the completion of the registration procedures in relation to the transfer of the equity interest with the relevant industry and commerce bureau in the PRC.

The basis of the consideration was determined after arm's length negotiations among the Purchaser, Mr. Tan and Mr. Huang mainly taking into consideration of the valuation of the entire equity interest of the Target Company of approximately RMB88,000,000 as at 28 February 2021 prepared by an independent valuer in Hong Kong based on the market-based approach.

### **Completion**

Mr. Tan and Mr. Huang shall complete the relevant registration procedures in relation to the transfer of the equity interest to the Purchaser (or other entities as designated by the Purchaser) with the relevant industry and commerce bureau in the PRC within 15 business days after the date of payment of the first tranche payment by the Purchaser. If Mr. Tan and Mr. Huang fail to complete the aforesaid registration procedures for over 15 days after the expiry of the aforesaid time, the Purchaser shall be entitled to terminate the Second Equity Transfer Agreement.

### **THE THIRD EQUITY TRANSFER AGREEMENT**

Under the terms of the Third Equity Transfer Agreement, the Purchaser agreed to acquire 37.0429% equity interest in the Target Company from Ms. Zhang at an aggregate consideration of RMB40,000,000.

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

#### **Date**

6 May 2021

#### **Parties**

- (1) the Purchaser; and
- (2) Ms. Zhang.

## **Acquisition of equity interests of the Target Company**

Under the terms of the Third Equity Transfer Agreement, the Purchaser agreed to acquire 37.0429% equity interest in the Target Company at an aggregate consideration of RMB40,000,000.

### **Consideration**

The consideration shall be payable by the Purchaser to Ms. Zhang in the following manner:

#### *The first tranche payment*

- (1) the Purchaser shall pay RMB28,000,000, representing 70% of the total consideration, to Ms. Zhang within seven business days after the fulfilment of the conditions similar to that for the First Equity Transfer Agreement.

#### *The second tranche payment*

- (2) the Purchaser shall pay the remaining consideration, being RMB12,000,000 to Ms. Zhang within seven business days after the completion of the registration procedures in relation to the transfer of the equity interest with the relevant industry and commerce bureau in the PRC.

The basis of the consideration was determined after arm's length negotiations between the Purchaser and Ms. Zhang mainly taking into consideration of (i) the valuation of the entire equity interest of the Target Company of approximately RMB88,000,000 as at 28 February 2021 prepared by an independent valuer in Hong Kong based on the market-based approach, and (ii) the premium attached to Ms. Zhang's shareholding in the Target Company arising from her right in the Target Company. Pursuant to articles of association of the Target Company, any resolutions on the alteration of the articles of association, change of registered capital, merger or dissolution or change of business nature (the "**Relevant Matters**") shall be approved by shareholders holding over two-thirds of the equity interests of the Target Company. As such, Ms. Zhang, holding over 37% of the equity interests of the Target Company, is entitled to vote against and veto the Relevant Matters.

## **Completion**

The parties shall complete the relevant registration procedures in relation to the transfer of the equity interest to the Purchaser (or other entities as designated by the Purchaser) with the relevant industry and commerce bureau in the PRC within 15 business days after the date of payment of the first tranche payment by the Purchaser.

If the aforesaid registration procedures are not completed for over 15 days after the expiry of the aforesaid time due to the default of either party, the non-defaulting party shall be entitled to terminate the Third Equity Transfer Agreement.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Company is principally engaged in the manufacturing of load-sensitive proportional multi-way valves (負載敏感比例多路換向閥) and such components are widely applied in electro-hydraulic control area for construction machinery and coal mine industries. The load-sensitive proportional multi-way valve is the core component of hydraulic pressure control equipment. The Group is principally engaged in, among others, the sale of hydraulic equipment component. The Board believes that the acquisition of the Target Company will help to expand the sources of revenue in the long run, and enhance the profitability, production capacity and competitive advantage of the Group, thereby strengthening the Group's position in the hydraulic overall solution market.

Based on the factors as disclosed above, the Directors are of the view that the terms of the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company established in the PRC with limited liability and is principally engaged in the manufacturing and sale of load-sensitive proportional multi-way valves.

According to the financial statements of the Target Company, the net asset value of the Target Company as at 31 December 2019 and 31 December 2020 was approximately RMB51,340,000 (audited) and RMB46,523,000 (audited) respectively. Set out below are the financial information of the Target Company for the two years ended 31 December 2019 and 31 December 2020 respectively:

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>(audited)</b>	<b>(audited)</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(approximately)</b>	<b>(approximately)</b>
Net profit before taxation	8,228,000	7,515,000
Net profit after taxation	6,991,000	6,297,000

## **INFORMATION OF THE GROUP AND THE VENDORS**

### **Information of the Group**

The principal activities of the Group are the manufacture and sale of precision metal components for automotive parts, hydraulic equipment components, electronic equipment components and components for other applications.

### **Information of the Vendors**

The Vendors are PRC residents. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendors is a third party independent of the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement, when aggregated, exceeded 5% but was less than 25%, the entering into of the First Equity Transfer Agreement, the Second Equity Transfer Agreement and the Third Equity Transfer Agreement constituted a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless the context requires otherwise, the use of capitalized terms in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company”	IPE Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 929)
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“First Acquisition”	the acquisition of an aggregate of 29.2683% equity interest of the Target Company by the Purchaser in accordance with the terms of the First Equity Transfer Agreement
“First Equity Transfer Agreement”	the equity transfer agreement dated 6 May 2021 entered into among the Purchaser, Mr. Shang and Mr. Zhao relating to the First Acquisition
“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
“Mr. Huang”	Mr. Huang Jianwen (黃建文)
“Mr. Shang”	Mr. Shang Zengwen (尚增溫)
“Mr. Tan”	Mr. Tan Zehua (譚澤華)
“Mr. Zhao”	Mr. Zhao Geng (趙庚)

“Ms. Zhang”	Ms. Zhang Ying (張瑩)
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Guangzhou Xinhao Precision Technology Company Limited* (廣州市新豪精密科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Second Acquisition”	the acquisition of an aggregate of 29.4507% equity interest of the Target Company by the Purchaser in accordance with the terms of the Second Equity Transfer Agreement
“Second Equity Transfer Agreement”	the equity transfer agreement dated 6 May 2021 entered into among the Purchaser, Mr. Tan and Mr. Huang relating to the Second Acquisition
“Shareholder(s)”	Shareholder(s) of the Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jiangsu Kemai Hydraulic Control System Company Limited* (江蘇科邁液壓控制系統有限公司), a limited liability company established in the PRC
“Third Acquisition”	the acquisition of an aggregate of 37.0429% equity interest of the Target Company by the Purchaser in accordance with the terms of the Third Equity Transfer Agreement

“Third Equity Transfer Agreement” the equity transfer agreement dated 6 May 2021 entered into between the Purchaser and Ms. Zhang relating to the Third Acquisition

“Vendors” collectively, Mr. Shang, Mr. Zhao, Mr. Tan, Mr. Huang and Ms. Zhang

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “\*” is for identification purpose only.*

By order of the Board  
**IPE Group Limited**  
**Zeng Guangsheng**  
*Chairman*

Hong Kong, 6 May 2021

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zeng Guangsheng (Chairman and Chief Executive Officer) and Mr. Ng Hoi Ping; two non-executive Directors, namely, Ms. Zeng Jing and Mr. Chen Kuangguo; and three independent non-executive Directors, namely, Mr. Yang Rusheng, Mr. Cheung, Chun Yue Anthony and Mr. Mei Weiyi.*