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## IPE GROUP LIMITED

國際精密集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 929)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “**Board**”) of IPE Group Limited (the “**Company**”) would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the previous corresponding period as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
<b>Revenue</b>	Notes 4&5	<b>518,272</b>	338,286
Cost of sales		<b>(388,597)</b>	(268,257)
<b>Gross profit</b>		<b>129,675</b>	70,029
Other income	5	<b>21,748</b>	16,434
Distribution costs		<b>(10,925)</b>	(9,727)
Administrative expense and other expense		<b>(93,438)</b>	(67,021)
<b>Profit from operations</b>		<b>47,060</b>	9,715
Finance costs	6	<b>(2,938)</b>	(4,387)
Share of losses of an associate		<b>(896)</b>	(1,806)
<b>Profit before taxation</b>	7	<b>43,226</b>	3,522
Income tax	8	<b>(11,188)</b>	(1,336)
<b>Profit for the period</b>		<b>32,038</b>	2,186
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>30,201</b>	2,645
Non-controlling interests		<b>1,837</b>	(459)
<b>Profit for the period</b>		<b>32,038</b>	2,186
<b>Earnings per share</b>	9		
Basic		<b>HK2.9 cents</b>	HK0.3 cent
Diluted		<b>HK2.9 cents</b>	HK0.3 cent
<b>Interim dividend per share</b>	10	<b>Nil</b>	Nil

\* For identification purposes only

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
<b>Profit for the period</b>	<u>32,038</u>	<u>2,186</u>
<b>Other comprehensive income:</b>		
Exchange difference on translation of foreign operation	<u>8,495</u>	<u>(61,889)</u>
<b>Total comprehensive income for the period</b>	<u>40,533</u>	<u>(59,703)</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	38,996	(59,241)
Non-controlling interests	<u>1,537</u>	<u>(462)</u>
<b>Total comprehensive income for the period</b>	<u>40,533</u>	<u>(59,703)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At <b>30 June</b> <b>2021</b> <b>(Unaudited)</b> <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties and other property, plant and equipment	<i>11</i>	<b>844,842</b>	792,729
Interest in an associate		–	896
Goodwill		<b>9,072</b>	–
Intangible assets		<b>9,738</b>	–
Deposits for purchase of non-current assets		<b>9,069</b>	11,261
Deferred tax assets		<b>13,615</b>	13,621
		<hr/> <b>886,336</b> <hr/>	<hr/> 818,507 <hr/>
<b>CURRENT ASSETS</b>			
Inventories	<i>12</i>	<b>272,899</b>	219,173
Trade receivables	<i>13</i>	<b>280,962</b>	272,461
Prepayments, deposit and other receivables		<b>73,801</b>	40,898
Financial assets		<b>2,657</b>	–
Pledged and restricted cash	<i>14</i>	<b>2,519</b>	3,672
Cash and bank balances	<i>14</i>	<b>833,781</b>	924,246
		<hr/> <b>1,466,619</b> <hr/>	<hr/> 1,460,450 <hr/>
Total current assets			
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>15</i>	<b>120,566</b>	91,495
Other payables and accruals		<b>70,252</b>	61,229
Lease liabilities		<b>1,161</b>	1,123
Contract liabilities		–	624
Tax payables		<b>11,663</b>	19,325
Bank loans		<b>177,613</b>	53,769
		<hr/> <b>381,255</b> <hr/>	<hr/> 227,565 <hr/>
Total current liabilities			

	At <b>30 June 2021</b> <b>(Unaudited)</b> <i>Notes</i> <b>HK\$'000</b>	At 31 December 2020 <b>(Audited)</b> <i>HK\$'000</i>
<b>NET CURRENT ASSETS</b>	<b>1,085,364</b>	1,232,885
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,971,700</b>	2,051,392
<b>NON-CURRENT LIABILITIES</b>		
Bank loans	–	150,862
Lease liabilities	<b>273</b>	366
Deferred tax liabilities	<b>21,686</b>	17,395
Other payables	<b>10,423</b>	2,475
Total non-current liabilities	<b>32,382</b>	171,098
Net assets	<b>1,939,318</b>	1,880,294
<b>CAPITAL AND RESERVES</b>		
Equity attributable to owners of the Company		
Share capital	<b>105,225</b>	105,225
Reserves	<b>1,816,882</b>	1,775,720
	<b>1,922,107</b>	1,880,945
Non-controlling interests	<b>17,211</b>	(651)
Total equity	<b>1,939,318</b>	1,880,294

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Note</i>	<b>2021</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2020 (Unaudited) HK\$'000
Net cash generated from operating activities		<u>72,168</u>	<u>111,422</u>
<b>INVESTING ACTIVITIES</b>			
Net cash paid for acquisition of a subsidiary		<b>(80,989)</b>	–
Purchases of items of property, plant and equipment		<b>(51,822)</b>	(19,954)
Proceeds from disposal of items of property, plant and equipment		<b>482</b>	1,573
Purchases of financial assets		<b>(46,416)</b>	(4,413)
Proceeds from disposal of financial assets		<b>45,329</b>	5,782
Dividend income received		<b>1,176</b>	–
Net cash used in investing activities		<u><b>(132,240)</b></u>	<u>(17,012)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of bank loans		<b>(27,018)</b>	(27,018)
Principal payments of lease liabilities		<b>(55)</b>	(547)
Capital injection from non-controlling interests		<b>13,183</b>	–
Dividend paid to non-controlling interests		<b>(741)</b>	–
Net cash used in financing activities		<u><b>(14,631)</b></u>	<u>(27,565)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(74,703)</b>	66,845
Cash and cash equivalents at beginning of period		<b>924,246</b>	847,093
Effect of foreign exchange rate changes		<b>(15,762)</b>	(58,369)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<u><b>833,781</b></u>	<u>855,569</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balance		<b>786,525</b>	714,020
Non-pledged time deposits with original maturity of less than three months when acquired		<b>47,256</b>	141,549
Cash and cash equivalents	<i>14</i>	<u><b>833,781</b></u>	<u>855,569</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

(Unaudited)	Attributable to owners of the Company																
	Issued capital <i>HK\$'000</i>	Share premium Contributed surplus <i>HK\$'000</i>		Statutory public welfare fund reserves <i>HK\$'000</i>					Share options reserves <i>HK\$'000</i>		Properties revaluation fluctuation reserves <i>HK\$'000</i>		Exchange Retained profit <i>HK\$'000</i>		Non- controlling interest <i>HK\$'000</i>		Total equity <i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2021	105,225	472,201	15,880	52,268	287	7,905	34,026	34,527	177,885	980,741	1,880,945	(651)	1,880,294				
Profit for the period	-	-	-	-	-	-	-	-	-	30,201	30,201	1,837	32,038				
Other comprehensive income for the period: exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	8,795	-	8,795	(300)	8,495				
Total comprehensive income for the period	-	-	-	-	-	-	-	-	8,795	30,201	38,996	1,537	40,533				
Capital injection	-	-	-	-	-	-	-	-	-	-	-	13,183	13,183				
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(741)	(741)				
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,883	3,883				
Equity-settled share options arrangements	-	-	-	-	-	-	2,166	-	-	-	2,166	-	2,166				
At 30 June 2021	<u>105,225</u>	<u>472,201</u>	<u>15,880</u>	<u>52,268</u>	<u>287</u>	<u>7,905</u>	<u>36,192</u>	<u>34,527</u>	<u>186,680</u>	<u>1,010,942</u>	<u>1,922,107</u>	<u>17,211</u>	<u>1,939,318</u>				
At 1 January 2020	105,225	472,201	15,880	51,924	287	7,905	24,696	-	80,100	958,936	1,717,154	(1,157)	1,715,997				
Profit for the period	-	-	-	-	-	-	-	-	-	2,645	2,645	(459)	2,186				
Other comprehensive income for the period: Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(61,886)	-	(61,886)	(3)	(61,889)				
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(61,886)	2,645	(59,241)	(462)	(59,703)				
Final 2019 dividend declared	-	-	-	-	-	-	-	-	-	(5,261)	(5,261)	-	(5,261)				
Equity-settled share options arrangements	-	-	-	-	-	-	3,109	-	-	-	3,109	-	3,109				
At 30 June 2020	<u>105,225</u>	<u>472,201</u>	<u>15,880</u>	<u>51,924</u>	<u>287</u>	<u>7,905</u>	<u>27,805</u>	<u>-</u>	<u>18,214</u>	<u>956,320</u>	<u>1,655,761</u>	<u>(1,619)</u>	<u>1,654,142</u>				

## NOTES TO THE CONDENSED FINANCIAL STATEMENT

### 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 10 July 2002 under the Companies Law of Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 1 November 2004.

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.

### 2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 39, HKFRS 4, HKFRS 7 and HKFRS 9 and HKFRS 16	Interest rate benchmark reform – Phase 2
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The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 4. OPERATING SEGMENT INFORMATION

##### Segment reporting

The Group manages its businesses by divisions, which are organised by the geographical locations of the customers. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (a) Thailand;
- (b) Malaysia;
- (c) Mainland China, Macau and Hong Kong;
- (d) North America;
- (e) Europe; and
- (f) Other countries.

##### *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue and gross profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.



Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

	Six months ended 30 June 2021 (Unaudited)						
	Thailand <i>HK\$'000</i>	Malaysia <i>HK\$'000</i>	Mainland China Macau and Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Other Countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue from external customers recognised by point in time and reportable segment revenue</b>	<u>6,035</u>	<u>45,260</u>	<u>250,916</u>	<u>74,264</u>	<u>125,324</u>	<u>16,473</u>	<u>518,272</u>
<b>Reportable segment profit</b>							
Gross profit	<u>1,510</u>	<u>11,324</u>	<u>62,781</u>	<u>18,581</u>	<u>31,357</u>	<u>4,122</u>	<u>129,675</u>
	Six months ended 30 June 2020 (Unaudited)						
	Thailand <i>HK\$'000</i>	Malaysia <i>HK\$'000</i>	Mainland China Macau and Hong Kong <i>HK\$'000</i>	North America <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Other Countries <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers recognised by point in time	8,970	40,469	149,497	63,963	67,484	7,903	338,286
Inter-segment revenue	<u>5,502</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,502</u>
<b>Reportable segment revenue</b>	14,472	40,469	149,497	63,963	67,484	7,903	343,788
<b>Reportable segment profit</b>							
Gross profit	<u>1,857</u>	<u>8,378</u>	<u>30,947</u>	<u>13,241</u>	<u>13,970</u>	<u>1,636</u>	<u>70,029</u>

## 5. REVENUE AND OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

An analysis of the Group's revenue and other income and gains is disaggregated as follows:

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
<b>Revenue recognised at a point in time</b>		
Sale of automotive components	279,552	180,773
Sale of hydraulic equipment components	164,142	88,833
Sale of electronic equipment components	52,151	49,439
Others	22,427	19,241
	<u>518,272</u>	<u>338,286</u>
<b>Other income</b>		
Bank interest income	7,017	6,935
Government grants	9,219	120
Dividend income	1,176	–
Reversal of impairment of trade and other receivables	–	257
Others	2,635	1,715
	<u>20,047</u>	<u>9,027</u>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment	131	522
Gain on disposal of financial assets	1,570	1,369
Foreign exchange difference, net	–	5,516
	<u>21,748</u>	<u>16,434</u>

## 6. FINANCE COST

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	2,054	3,496
Financial arrangement fees	853	853
Interest on lease liabilities	31	38
	<hr/>	<hr/>
	2,938	4,387
	<hr/>	<hr/>

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventory sold	388,597	268,257
Depreciation on property, plant and equipment	41,675	56,799
Equity-settled share option expenses	2,166	3,109
Auditors' remuneration	1,292	1,266
Foreign exchange differences, net	2,637	(5,516)
Gain on disposal of items of property, plant and equipment	(131)	(522)
Reversal of impairment of other receivables	-	257
	<hr/>	<hr/>

## 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (16.5% for the six months ended 30 June 2020) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current	11,188	1,336
Deferred	–	–
Total tax charge for the period	<u>11,188</u>	<u>1,336</u>

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity shareholders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2021 is based on the profit attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to equity shareholders of the Company used in the basic earnings per share calculation	<u>30,201</u>	<u>2,645</u>
	<b>Number of shares (in thousands)</b>	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,052,254</u>	<u>1,052,254</u>

## 10. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

## 11. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in leasehold land held for own use carried at cost HK\$'000	Other properties leased for own use carried at cost HK\$'000	Freehold land and building HK\$'000	Leasehold improvement HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Investment properties HK\$'000	Total HK\$'000
<b>Cost</b>										
At 1 January 2021	69,025	4,082	719,204	19,935	1,610,108	98,817	15,275	13,535	128,082	2,678,063
Additions	-	-	11,243	-	33,626	5,887	701	365	-	51,822
Acquisition of a subsidiary	8,788	-	15,049	-	14,280	208	404	-	-	38,729
Disposals	-	-	(72)	-	(1,827)	(370)	-	(541)	-	(2,810)
Exchange realignment	760	328	1,021	142	1,370	500	53	239	1,189	5,602
<b>At 30 June 2021</b>	<b>78,573</b>	<b>4,410</b>	<b>746,445</b>	<b>20,077</b>	<b>1,657,557</b>	<b>105,042</b>	<b>16,433</b>	<b>13,598</b>	<b>129,271</b>	<b>2,771,406</b>
<b>Accumulated depreciation</b>										
At 1 January 2021	3,958	2,599	358,710	17,267	1,413,530	78,400	10,870	-	-	1,885,334
Depreciation provided during the period	1,144	113	11,967	793	23,182	3,695	781	-	-	41,675
Disposals	-	-	(57)	-	(1,784)	(356)	-	-	-	(2,197)
Exchange realignment	158	82	244	133	748	352	35	-	-	1,752
<b>At 30 June 2021</b>	<b>5,260</b>	<b>2,794</b>	<b>370,864</b>	<b>18,193</b>	<b>1,435,676</b>	<b>82,091</b>	<b>11,686</b>	<b>-</b>	<b>-</b>	<b>1,926,564</b>
<b>Net carrying amount</b>										
Cost	78,573	4,410	746,445	20,077	1,657,557	105,042	16,433	13,598	129,271	2,771,406
Accumulated depreciation	(5,260)	(2,794)	(370,864)	(18,193)	(1,435,676)	(82,091)	(11,686)	-	-	(1,926,564)
<b>At 30 June 2021</b>	<b>73,313</b>	<b>1,616</b>	<b>375,581</b>	<b>1,884</b>	<b>221,881</b>	<b>22,951</b>	<b>4,747</b>	<b>13,598</b>	<b>129,271</b>	<b>844,842</b>
<b>Net carrying amount</b>										
Cost	69,025	4,082	719,204	19,935	1,610,108	98,817	15,275	13,535	128,082	2,678,063
Accumulated depreciation	(3,958)	(2,599)	(358,710)	(17,267)	(1,413,530)	(78,400)	(10,870)	-	-	(1,885,334)
<b>At 31 December 2020</b>	<b>65,067</b>	<b>1,483</b>	<b>360,494</b>	<b>2,668</b>	<b>196,578</b>	<b>20,417</b>	<b>4,405</b>	<b>13,535</b>	<b>128,082</b>	<b>792,729</b>

## 12. INVENTORIES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Raw materials	72,113	65,649
Consumables	43,777	45,866
Work in progress	129,540	84,659
Finished goods	<u>122,168</u>	<u>101,266</u>
	367,598	297,440
Less: Provision against inventory obsolescence	<u>94,699</u>	<u>78,267</u>
	<u><b>272,899</b></u>	<u><b>219,173</b></u>

## 13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers where payments in advance are normally required. The credit period generally ranges from 60 to 120 days, but longer credit terms will be granted to certain major customers with the approval of the directors. Each customer has a maximum credit limit. The Group maintains strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within 1 month	99,076	114,421
1 to 2 months	84,110	75,882
2 to 3 months	72,341	54,619
3 to 4 months	14,424	24,851
4 to 12 months	7,691	2,997
Over 1 year	<u>3,887</u>	<u>258</u>
	281,529	273,028
Less: impairment	<u>567</u>	<u>567</u>
	<u><b>280,962</b></u>	<u><b>272,461</b></u>

#### 14. CASH AND BANK BALANCES

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Bank deposit and cash	836,300	927,918
Less: Pledged and restricted deposits	<u>(2,519)</u>	<u>(3,672)</u>
Cash and cash equivalents	<u>833,781</u>	<u>924,246</u>

#### 15. TRADE PAYABLES

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Within 1 month	43,689	41,127
1 to 2 months	40,965	28,645
2 to 3 months	25,258	15,452
Over 3 months	<u>10,654</u>	<u>6,271</u>
	<u>120,566</u>	<u>91,495</u>

#### 16. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Contracted but not provided for:		
Buildings	41	2,656
Plant and machinery	<u>9,169</u>	<u>20,932</u>
	<u>9,210</u>	<u>23,588</u>

## CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present to shareholders the first half-year results of the Company and its subsidiaries for the six months ended 30 June 2021.

### BUSINESS REVIEW

Our sales orders were materially affected by global political and economic instability because of the pandemic in 2020. In 2021, with COVID-19 under control globally, domestic and overseas market began to recover, and orders from overseas customers have gradually recovered, especially the orders from automotive and hydraulic customers have returned to pre-pandemic levels. Sales of automotive components amounted to HK\$279,552,000 in the first half of 2021, representing an increase of HK\$98,779,000 or 54.7% as compared to the corresponding period of last year.

Meanwhile, the Company proactively made strategic adjustment to develop domestic hydraulic customers, and the sales of hydraulic business recorded robust growth. In order to ensure the continuous growth of orders, the Company actively developed new customers led by hydraulic industry customers, laying a foundation for the hydraulic industry market. Therefore, sales of hydraulic components amounted to HK\$164,142,000 in the first half of the year, representing an increase of HK\$75,309,000 or 84.8% as compared to the corresponding period of last year.

The following table shows the sales and comparative data of the Company's various businesses in the first half of 2021:

	1H 2021		1H 2020		Change
	HK\$'000	%	HK\$'000	%	%
Automotive components	<b>279,552</b>	<b>54.0</b>	180,773	53.4	+54.7
Hydraulic equipment components	<b>164,142</b>	<b>31.7</b>	88,833	26.3	+84.8
Electronic equipment components	<b>52,151</b>	<b>10.0</b>	49,439	14.6	+5.5
Others	<b>22,427</b>	<b>4.3</b>	19,241	5.7	+16.6
	<b><u>518,272</u></b>	<b>100.0</b>	<b><u>338,286</u></b>	100.0	+53.2

In order to cope with the ever-changing external operation risks, the Company continued to explore the potential of operation and management, improve management efficiency, and strengthen customer service and supplier management to reach the goal of lean production, laying a foundation for its sustainable and steady development.



In the first half of the year, due to pandemic rebounds in Guangzhou, the PRC, the Company developed an emergency plan for the pandemic in a timely manner to closely monitor the pandemic situation, implement various prevention and control measures and proactively promote the vaccination against COVID-19, aiming to realize the normalization of pandemic prevention and control, and maintain zero infection.

In addition, the Company continued to deepen its relationship with the government and actively took social responsibilities; responded to the government's policy to introduce integrated carbon neutral solutions and invest in photovoltaic new energy projects, so as to reduce related costs and make a contribution to environmental protection.

The Company completed the acquisition of Jiangsu Kemai Hydraulic Control System Company Limited (江蘇科邁液壓控制系統有限公司) (“**Jiangsu Kemai**”) in May of the year. Jiangsu Kemai is engaged in the manufacturing of load-sensitive proportional multi-way valves (負載敏感比例多路換向閥), which are applied in electro-hydraulic control areas for construction machinery and coal mine industries, and has high synergy with the development direction and products of the Company's hydraulic business. For details please refer to the Company's announcement of 6 May 2021.

## **FINANCIAL REVIEW**

For the year ended 30 June 2021, the Group recorded sales of HK\$518,272,000, representing an increase of HK\$179,986,000 or 53.2% as compared to HK\$338,286,000 in the corresponding period of last year.

With the COVID-19 under control, orders from overseas customers have recovered and the turnover has returned to the pre-pandemic level. The Company has achieved economies of scale. In the first half of the year, the gross profit amounted to HK\$129,675,000, representing an increase of HK\$59,646,000 as compared to HK\$70,029,000 in the corresponding period of last year. The gross profit margin was 25.0% in the first half of the year, representing an increase of 4.3% as compared to 20.7% in the corresponding period of last year.

Other income amounted to HK\$21,748,000 in the first half of the year, representing an increase of HK\$5,314,000 as compared to the corresponding period of last year. The increase was mainly due to government subsidies.

Sales and distribution expenses amounted to HK\$10,925,000 in the first half of the year, representing an increase of HK\$1,198,000 as compared to the corresponding period of last year, mainly due to the increase in related expenses driven by sales growth. In addition, global logistics and transportation costs also increased in the first half of the year due to the outbreak of the pandemic in India and Guangzhou, the PRC. The container price for export from the PRC to Europe and east coast of America increased to a record high as compared with previous years, which also resulted in higher related costs.

The administrative expenses and other expenses amounted to HK\$93,438,000 in the first half of the year, representing an increase of HK\$26,417,000 as compared to the corresponding period of last year, mainly due to the following reasons: the related expenses increased by HK\$7,337,000 as domestic resources were invested to fulfill domestic environmental standards. In addition, in order to coordinate with the Group's future development plans and operating policies and reward employees for their efforts during the pandemic, bonuses were given to employees to motivate them, resulting in an increase in salary and allowances of HK\$2,454,000; secondly, the Company invested HK\$1,110,000 to engage more professionals at the beginning of the year to strengthen its research of domestic market and related industries. Furthermore, due to increased sales, domestic tax surcharges (such as urban maintenance and construction tax) increased by HK\$1,789,000 as compared to the corresponding period of last year. Lastly, there was an exchange loss of approximately HK\$2,637,000 due to the appreciation of RMB in the first half of the year.

For finance costs, bank finance costs amounted to HK\$2,938,000 in the first half of the year, representing a decrease of HK\$1,449,000 as compared to HK\$4,387,000 in the corresponding period of last year. The decrease was mainly due to reduction in overall loan amounts.

For the six months ended 30 June 2021, the Group recorded an unaudited net profit of HK\$32,038,000, representing an increase of HK\$29,852,000 as compared to HK\$2,186,000 in the corresponding period of last year.

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2021, the Group had total borrowings of HK\$177,613,000 (31 December 2020: HK\$204,631,000), secured by corporate guarantee given by the Company and its subsidiaries. Besides, as at 30 June 2021, the Group pledged deposits of HK\$2,519,000 to issue letters of guarantee (31 December 2020: HK\$3,672,000). Except for pledged and restricted deposit, the Group had no charge on any of its assets for its banking facilities as at 30 June 2021.

## **LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS**

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by the banks. As at 30 June 2021, cash attributable to each share amounted to HK\$0.79 (31 December 2020: HK\$0.88), based on the 1,052,254,135 ordinary shares in issue (31 December 2020: 1,052,254,135 ordinary shares), which was mainly due to increased investment in the first half of the year to use existing resources. The net asset value per share amounted to HK\$1.84, representing an increase of HK\$0.06 or approximately 3.3% as compared to HK\$1.78 last year.

During the six months ended 30 June 2021, the net cash inflow from the Company's operating activities was HK\$72,168,000. Although the sales in the first half of the year increased as compared to the corresponding period of last year, the cash inflow from operating activities decreased by HK\$39,254,000, mainly due to that the Company invested funds to purchase such materials as raw materials related to the orders as the sales orders increased, and the Company traded with its customers on credit with credit period from 60 to 120 days, some of the sales payment was not collected, which also led to a decrease in net cash inflow from the Company's operating activities.

To cope with future strategic development, the Company purchased new automated machinery and equipment and invested in engineering settings, so as to improve production capacity and quality as well as reduce involvement of personnel. The cash outflow from purchase of machinery and equipment was HK\$51,822,000, and the cash outflow from acquisition of Jiangsu Kemai in May of the year was HK\$80,989,000. Therefore, the net cash outflow from investment activities was HK\$132,240,000, representing an increase of HK\$115,228,000 as compared to the net cash outflow of HK\$17,012,000 in the corresponding period of last year.

With regards to financing activities, due to the combined effect of capital contribution from investors of HK\$13,183,000 primarily for the construction of new projects in China during the year and the repayment of existing bank borrowings of HK\$27,018,000, the net cash outflow from financing activities amounted to HK\$14,631,000. The net decrease in cash and cash equivalents in the first half of 2021 was HK\$74,703,000.

In terms of bank borrowings, the total bank borrowings of the Company as at 30 June 2021 amounted to HK\$177,613,000, representing a decrease of HK\$27,018,000 as compared to HK\$204,631,000 as at 31 December 2020.

Generally, as at 30 June 2021, the net cash, calculated by cash and bank balances less total bank borrowings, of the Group amounted to HK\$658,687,000, representing a decrease of HK\$64,600,000 as compared with HK\$723,287,000 as at 31 December 2020.

## **CURRENCY EXPOSURE AND MANAGEMENT**

The Group is exposed to fluctuations in foreign exchange rates. Since most of the Group's revenue is denominated in US dollars, whereas most of the Group's expenses, such as costs of major raw materials, machineries and production expenses, are denominated in Japanese Yen, Renminbi, Thai Baht and Hong Kong dollars, fluctuations in exchange rates can materially affect the Group; in particular, the fluctuation of Renminbi will adversely affect the Group's profitability. Therefore, the Company has entered into forward foreign exchange contracts to minimize the potential risk of currency exchange rate fluctuations.

## **HUMAN RESOURCES**

The Company actively participates in various campus recruitment activities, poaches key external talents, and introduces mid-high-end talents through internal paid recommendations, headhunting companies, industry associations and other channels. It establishes school-enterprise partnerships with appropriate professional schools to ensure stable talent inflows. To retain the existing mid to high-end talents, technicians and general workers, it optimizes accommodation conditions and increases meal allowances, which effectively improves employee stickiness and stabilizes talents.

In addition, the Company has a share option scheme in place as an encouragement and rewards to selected participants for their contributions to the Company. Furthermore, the Company has set up a mandatory provident fund and local retirement benefit scheme for our staff.

As at 30 June 2021, the Group had a total of 2,194 employees, representing an increase of 13 employees as compared to 2,181 employees as at 30 June 2020.

## **PROSPECT**

The Company will continue to implement the work approach of “increasing income, reducing wastage, improving quality and upgrading” under the principle of “technology improvement, product innovation and quality upgrading” to adapt to the changing market environment and complex international social environment, further explore new drivers of business growth, expand business channels in a comprehensive manner, regulate operation and management, promote automation transformation for lean production and become an industry-leading enterprise with continuous profitability.

In recent years, due to the impact of COVID-19 and shortage of automotive chips, there are varying degrees of decline in orders from global automotive customers. Therefore, the Company will try its best to develop new customers and maintain sufficient profitability. Moreover, it will improve order delivery rate through multiple channels and methods for the maintenance of existing customer relationship and continuously tap customer potential for new projects. It will accelerate the progress of samples and solve technical difficulties to facilitate the mass production of samples, thus maintaining a leading position and improving sales revenue with technology and cost advantages. In addition to the existing businesses, the Company will make strategic adjustments to continue to develop domestic hydraulic equipment customers based on its technology and quality and strive to become a core supplier of the leading hydraulic enterprises in China.

For the logistics supply chain, the Company will continue to optimize the procurement process and reduce costs. It will develop new material suppliers, enhance bargaining power and achieve the goal of reducing procurement costs. In addition, it will continue to optimize the procurement cycle and improve the accuracy of performance forecasts to improve its response to market changes.

Finally, on behalf of the Board, I would like to thank all employees for their contributions and dedication to the Group in the past.

## **SUPPLEMENTARY INFORMATION**

### **Purchase, Redemption or Sale of Listed Securities of the Company**

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

## **CORPORATE GOVERNANCE**

The Company is committed to maintain a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “**CG Code**” and the “**Listing Rules**” respectively) during the period under review except that there was no separation of the roles of Chairman and Chief Executive Officer as specified in the code provision A.2.1 of the CG Code. Mr. Zeng Guangsheng has assumed the roles of both Chairman of the Board and Chief Executive Officer of the Company. The Board believes that by assuming both roles, Mr. Zeng will be able to provide the Group with strong and consistent leadership, allowing for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. The structure is therefore beneficial to the Shareholders of the Company as a whole.

## AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive directors, namely Mr. Yang Rushen (Chairman of the Audit Committee), Mr. Cheung Chun Yue Anthony and Mr. Mei Weiyi, has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting processes including the review of the Company's interim results for the six months ended 30 June 2021.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.ipegroup.com>) respectively. The interim report for the six months ended 30 June 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

## Board of Directors

As at the date of this announcement, the Board comprises the following directors:

*Executive Directors:*

Mr. Zeng Guangsheng  
(Chairman and Chief Executive Officer)  
Mr. Ng Hoi Ping

*Non-Executive Directors:*

Ms. Zeng Jing  
Mr. Chen Kuangguo

*Independent Non-Executive Directors:*

Mr. Yang Rusheng  
Mr. Cheung, Chun Yue Anthony  
Mr. Mei Weiyi

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

Hong Kong, 23 August 2021