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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 2024

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 2024, together with the comparative figures for the previous corresponding period as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Revenue</b>	4&5	<b>502,149</b>	419,761
Cost of sales		(364,755)	(323,343)
<b>Gross profit</b>		<b>137,394</b>	96,418
Other income	5	28,779	37,683
Distribution costs		(17,344)	(11,945)
Administrative expense and other expense		(85,673)	(77,798)
Research and development costs		(36,792)	(32,076)
<b>Profit from operations</b>		<b>26,364</b>	12,282
Finance costs	6	(8,777)	(4,366)
Share of losses of an associate		(683)	(610)
<b>Profit before taxation</b>	7	<b>16,904</b>	7,306
Income tax	8	(4,216)	925
<b>Profit for the period</b>		<b>12,688</b>	8,231
<b>Attributable to:</b>			
Equity shareholders of the Company		2,378	(1,249)
Non-controlling interests		10,310	9,480
<b>Profit for the period</b>		<b>12,688</b>	8,231
<b>Earnings per share</b>	9		
Basic		<b>HK0.2 cents</b>	HK-0.1 cents
Diluted		<b>HK0.2 cents</b>	HK-0.1 cents
<b>Interim dividend per share</b>	10	–	–

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>
<b>Profit for the period</b>	<b>12,688</b>	8,231
<b>Other comprehensive loss:</b>		
Exchange difference on translation of foreign operation	<u>(35,578)</u>	<u>(51,844)</u>
<b>Total comprehensive income for the period</b>	<u><b>(22,890)</b></u>	<u>(43,613)</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(35,460)</b>	(45,535)
Non-controlling interests	<u><b>12,570</b></u>	<u>1,922</u>
<b>Total comprehensive income for the period</b>	<u><b>(22,890)</b></u>	<u>(43,613)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Unaudited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Investment properties	<i>11</i>	126,697	130,189
Property, plant and equipment	<i>11</i>	821,789	794,191
Intangible assets		61,439	68,362
Goodwill		67,275	69,206
Interest in an associate		1,063	1,745
Deposits for purchase of non-current assets		18,146	2,198
Deferred tax assets		16,074	16,562
		<b>1,112,483</b>	<b>1,082,453</b>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		15,875	16,902
Inventories	<i>12</i>	315,136	330,503
Trade receivables	<i>13</i>	360,985	323,887
Prepayments, deposit and other receivables		88,258	96,583
Pledged and restricted cash		22,055	22,099
Cash and bank balances	<i>14</i>	556,885	674,400
		<b>1,359,194</b>	<b>1,464,374</b>
Total current assets			
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>15</i>	115,897	102,351
Other payables and accruals		57,372	239,966
Bank and other loans		142,369	71,147
Lease liabilities		1,043	2,071
Deferred income		319	431
Tax payables		13,237	11,391
		<b>330,237</b>	<b>427,357</b>
Total current liabilities			

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Unaudited) HK\$'000
<b>NET CURRENT ASSETS</b>	<u>1,028,957</u>	<u>1,037,017</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>2,141,440</u>	<u>2,119,470</u>
<b>NON-CURRENT LIABILITIES</b>		
Bank loans and other loan	160,098	114,399
Lease liabilities	3,482	3,465
Other payables	2,113	2,364
Deferred income	743	831
Deferred tax liabilities	<u>33,704</u>	<u>34,221</u>
Total non-current liabilities	<u>200,140</u>	<u>155,280</u>
Net assets	<u>1,941,300</u>	<u>1,964,190</u>
<b>CAPITAL AND RESERVES</b>		
Equity attributable to owners of the Company		
Share capital	105,225	105,225
Reserves	<u>1,692,343</u>	<u>1,727,803</u>
	1,797,568	1,833,028
Non-controlling interests	<u>143,732</u>	<u>131,162</u>
Total Equity	<u>1,941,300</u>	<u>1,964,190</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash generated from operating activities	<u><b>23,174</b></u>	<u>39,818</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	<b>(95,430)</b>	(43,904)
Proceeds from disposal of items of property, plant and equipment	<b>6,694</b>	6,415
Remaining consideration paid on acquisition of subsidiaries for prior year	<b>(168,064)</b>	–
Dividend income received	<u><b>2,522</b></u>	<u>2,015</u>
Net cash used in investing activities	<u><b>(254,278)</b></u>	<u>(35,474)</u>
<b>FINANCING ACTIVITIES</b>		
Interest paid	<b>(8,684)</b>	(4,312)
Proceeds from new bank loans	<b>214,292</b>	–
Repayment of bank loans	<b>(94,536)</b>	(20,000)
Principal payments of lease liabilities	<u><b>(1,007)</b></u>	<u>(227)</u>
Net cash generated from/(used in) financing activities	<u><b>110,065</b></u>	<u>(24,539)</u>
<b>NET DECREASE IN CASH AND</b>		
<b>CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	<b>674,400</b>	729,058
Effect of foreign exchange rate changes	<u><b>3,524</b></u>	<u>(3,311)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT END OF PERIOD</b>	<u><b>556,885</b></u>	<u>705,552</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

(Unaudited)	Attributable to owners of the Company													Total Equity HK\$'000	
	Capital HK\$'000	Share premium Account HK\$'000	Contributed Surplus HK\$'000	Statutory							Exchange fluctuation reserves HK\$'000	Others reserves HK\$'000	Retained profit HK\$'000		Non- controlling interest HK\$'000
		Statutory surplus reserve HK\$'000		public welfare fund HK\$'000	Capital redemption reserves HK\$'000	Share options reserves HK\$'000	Properties revaluation reserves HK\$'000	Total HK\$'000							
At 1 January 2024	105,225	472,201	15,880	82,188	287	7,905	51,735	34,527	11,959	4,239	1,046,882	1,833,028	131,162	1,964,190	
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,378	2,378	10,310	12,688	
Other comprehensive income for the period:															
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	(37,838)	-	-	(37,838)	2,260	(35,578)	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(37,838)	-	2,378	(35,460)	12,570	(22,890)	
At 30 June 2024	<u>105,225</u>	<u>472,201</u>	<u>15,880</u>	<u>82,188</u>	<u>287</u>	<u>7,905</u>	<u>51,735</u>	<u>34,527</u>	<u>(25,879)</u>	<u>4,239</u>	<u>1,049,260</u>	<u>1,797,568</u>	<u>143,732</u>	<u>1,941,300</u>	
At 1 January 2023	105,225	472,201	15,880	72,283	287	7,905	51,594	34,527	25,153	4,239	1,051,120	1,840,414	71,672	1,912,086	
Profit for the period	-	-	-	-	-	-	-	-	-	-	(1,249)	(1,249)	9,480	8,231	
Other comprehensive loss for the period:															
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	(44,286)	-	-	(44,286)	(7,558)	(51,844)	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(44,286)	-	(1,249)	(45,535)	1,922	(43,613)	
At 30 June 2023	<u>105,225</u>	<u>472,201</u>	<u>15,880</u>	<u>72,283</u>	<u>287</u>	<u>7,905</u>	<u>51,594</u>	<u>34,527</u>	<u>(19,133)</u>	<u>4,239</u>	<u>1,049,871</u>	<u>1,794,879</u>	<u>73,594</u>	<u>1,868,473</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 D2 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 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

#### **Amendments to HKFRSs that are mandatorily effective for the current period**

Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2024 and 2023 is set out below.

	Six months ended 30 June 2024 (Unaudited)						
			Mainland China, Macau and Hong Kong	North America	Europe	Other Countries	Total
	Thailand HK\$'000	Malaysia HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenue from external customers recognised by point in time and Reportable segment revenue</b>	<u>9,562</u>	<u>14,068</u>	<u>275,248</u>	<u>102,037</u>	<u>86,503</u>	<u>14,731</u>	<u>502,149</u>
<b>Reportable segment profit</b>							
Gross profit	<u>2,616</u>	<u>3,849</u>	<u>75,311</u>	<u>27,919</u>	<u>23,668</u>	<u>4,031</u>	<u>137,394</u>
	Six months ended 30 June 2023 (Unaudited)						
			Mainland China, Macau and Hong Kong	North America	Europe	Other Countries	Total
	Thailand HK\$'000	Malaysia HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers recognised by point in time and reportable segment revenue	<u>6,321</u>	<u>21,384</u>	<u>188,887</u>	<u>86,326</u>	<u>102,497</u>	<u>14,346</u>	<u>419,761</u>
<b>Reportable segment profit</b>							
Gross profit	<u>1,452</u>	<u>4,912</u>	<u>43,387</u>	<u>19,829</u>	<u>23,543</u>	<u>3,295</u>	<u>96,418</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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Revenue recognised at a point in time</b>		
Sale of automotive components	226,890	207,303
Sale of hydraulic equipment components	251,685	180,051
Sale of electric components	14,327	22,130
Others	9,247	10,277
	<u>502,149</u>	<u>419,761</u>
<b>Other income</b>		
Bank interest income	4,671	7,240
Government grants	6,278	6,204
Dividend income	2,522	2,015
Rental income	5,266	4,495
Insurance compensation on fire loss	–	7,798
Others	2,577	2,206
	<u>21,314</u>	<u>29,958</u>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment	231	4,269
Foreign exchange difference, net	7,234	3,456
	<u>28,779</u>	<u>37,683</u>

## 6. FINANCE COST

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest on bank and other loans	8,174	3,802
Financial arrangement fees	510	510
Interest on lease liabilities	93	54
	<u>8,777</u>	<u>4,366</u>

## 7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Cost of inventory sold	364,755	323,343
Depreciation on property, plant and equipment	39,334	43,137
Depreciation on right-of-use asset	863	306
Amortization	5,073	685
Auditors' remuneration	1,236	992
Foreign exchange differences, net	(7,234)	(3,456)
Gain on disposal of items of property, plant and equipment	(231)	(4,269)
	<u>(231)</u>	<u>(4,269)</u>

## 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 2023) 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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current	4,216	(925)
Deferred	—	—
Total tax charge for the period	<u>4,216</u>	<u>(925)</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 2024 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	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to equity shareholders of the Company used in the basic earnings per share calculation	<u>2,378</u>	<u>(1,249)</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>



## 12. INVENTORIES

	At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Raw materials	78,709	99,655
Consumables	20,220	16,616
Work in progress	80,439	88,445
Finished goods	135,768	125,787
	<u>315,136</u>	<u>330,503</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 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
Within 1 month	168,318	106,371
1 to 2 months	84,014	85,440
2 to 3 months	56,196	50,517
3 to 4 months	27,288	34,399
4 to 12 months	24,201	47,160
Over 1 year	968	–
	<u>360,985</u>	<u>323,887</u>

#### 14. CASH AND BANK BALANCES

	At 30 June 2024 (Unaudited) <i>HK\$'000</i>	At 31 December 2023 (Audited) <i>HK\$'000</i>
Deposits with banks and cash at bank and on hand	578,910	696,499
Less: Pledged and restricted deposits	<u>(22,055)</u>	<u>(22,099)</u>
Cash and cash equivalents	<u>556,885</u>	<u>674,400</u>

#### 15. TRADE PAYABLES

	At 30 June 2024 (Unaudited) <i>HK\$'000</i>	At 31 December 2023 (Audited) <i>HK\$'000</i>
Within 1 month	35,671	55,584
1 to 2 months	31,147	24,698
2 to 3 months	41,557	10,812
Over 3 months	<u>7,522</u>	<u>11,257</u>
	<u>115,897</u>	<u>102,351</u>

#### 16. CAPITAL COMMITMENTS

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

	At 30 June 2024 (Unaudited) <i>HK\$'000</i>	At 31 December 2023 (Audited) <i>HK\$'000</i>
Contracted but not provided for:		
Plant and machinery	33,162	86,641
Buildings	<u>10,183</u>	<u>5,966</u>
	<u>43,345</u>	<u>92,607</u>

## CHAIRMAN’S STATEMENT

On behalf of the board of directors (the “**Board**”), I present to shareholders the first half-year results of IPE Group Limited (“**IPE**” or the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**” or “**IPE Group**”) as of 30 June 2024.

## BUSINESS REVIEW

Facing a weak external economy, consumer power is not as strong as before, the Company accelerated the implementation of the development objectives. Sales of the hydraulic equipment components business observed prominent increase through the successful acquisition of Yutai Hydraulic Technology (Shanghai) Co., Ltd., Yutai Power Technology (Shanghai) Co., Ltd. and Wuhu Inno Hydraulic Technology Co., Ltd. last year, coupled with the orders rebound for the automotive components business, sales amounted to HK\$502,149,000 for the first half of this year, compared to HK\$419,761,000 for the corresponding period last year, an increase of HK\$82,388,000 or 19.6%.

The hydraulic equipment components business of the Company, after the merger and acquisition, has contributed to the sales in the first half of this year. Coupled with the synergies with the original hydraulic equipment components business, the sales of the hydraulic equipment components business in the first half of this year amounted to HK\$251,685,000, compared to HK\$180,051,000 in the corresponding period of last year, representing a year-on-year increase of HK\$71,634,000. As a result, the sales of the hydraulic equipment components business has accounted for more than half of the Company’s total sales for the year. In addition to the effect of the merger and acquisition, the original hydraulic equipment components business of the Company has also achieved growth to a certain extent, which is attributable to the team’s efforts in sourcing new customers and launching new products, as to expand into different markets.

For the automotive components business, in Europe, the ban on the sale of fossil-fuel vehicles in the United Kingdom and Germany has been postponed to 2035, which in turn stimulates the fossil-fuel vehicle market. The sales orders of the automotive components business have rebounded, and the sales of the automotive components business in the first half of this year amounted to HK\$226,890,000, representing an increase of HK\$19,587,000, or 9.4%, when compared to the corresponding period of last year.



Sales order for traditional Hard Disk Drive (HDD) continued to drop, which brought adverse effect on the Company's electronic equipment components business. Sales for the business amounted to HK\$14,237,000 in the first half of this year, representing a decrease of HK\$7,803,000 when compared to the corresponding period of last year. With the growth in the hydraulic equipment components business, coupled with the rebound in the automotive components business, sales of electronic equipment components business accounted for approximately 2.8% of the Company's total sales, which is no longer the Company's core business in terms of sales contribution.

The following table shows the sales and comparative data of each of the Group's businesses for the first half of 2024:

	1H 2024		1H 2023		Change %
	HK\$'000	%	HK\$'000	%	
Automotive components	<b>226,890</b>	<b>45.2</b>	207,303	49.4	+9.4
Hydraulic equipment components	<b>251,685</b>	<b>50.1</b>	180,051	42.9	+39.8
Electronic equipment components	<b>14,327</b>	<b>2.9</b>	22,130	5.3	-35.3
Others	<b>9,247</b>	<b>1.8</b>	10,277	2.4	-10.0
Total	<b><u>502,149</u></b>	<b><u>100</u></b>	<b><u>419,761</u></b>	<b><u>100</u></b>	<b><u>+19.6</u></b>

The Company has expanded into new businesses from multiple angles, cultivated new customers, and explored new domestic and international markets, leading to an increase in order completion rates and sales revenue. On the other hand, the Company has strictly adhered to quality control, comprehensively implemented lean production management, automated upgrades, and continuous optimization of production processes. These efforts, combined with earlier cost reduction initiatives, improvements in key expenses, and ongoing discussions to reduce defect rates, have resulted in improved gross profit margins. The gross profit margin in the first half of this year reached 27.4%, a 4.4% increase year-on-year. Consequently, net profit in the first half of this year reached HK\$12,688,000, a year-on-year increase of HK\$4,457,000 or 54.1% as compared with the same period of last year.

## FINANCIAL REVIEW

For the six months ended 30 June 2024, the Group recorded sales of HK\$502,149,000, representing an increase of HK\$82,388,000 or 19.6% as compared to HK\$419,761,000 for the corresponding period last year. Upon the completion of the acquisition of three companies last year (“**Previous Year’s Acquisition**”), which brought positive effects on the hydraulic equipment components business, the Company’s sales observed obvious improvement, in particular in those of the hydraulic equipment components, resulting in an increase of HK\$71,634,000 or 39.8% for the first half of this year. In addition, with the recovery of the orders from the automotive components business, the overall sales rebound and synergies from the acquisitions, gross margins improved notwithstanding the period-over-period decline in the sales of electronic equipment components. Gross profit for the first half of 2024 was HK\$137,394,000, representing an increase of HK\$40,976,000 or 42.5% as compared to the corresponding period last year, and the gross profit margin improved from 23.0% for the same period of last year to 27.4% for the first half of this year, representing an increase of 4.4%.

Other income amounted to HK\$28,779,000 for the first half of the year, which was mainly attributable to recorded exchange gains of HK\$7,234,000, represented an increase of HK\$3,778,000 as compared to the corresponding period last year. Meanwhile, government subsidies remained at HK\$6,278,000, approximate to HK\$6,204,000 for the corresponding period last year. However, we recorded a compensation income on fire loss of HK\$7,798,000 in the corresponding period of last year, while there was no such special income in the first half of this year, thus other income decreased by approximately HK\$8,904,000 as compared with that of last year as a whole.

With respect to selling and distribution expenses, under the influence of the Previous Year’s Acquisition, the Group expanded in scale, also the Company heightened its efforts in marketing to stay closer to the downstream customers, understand the needs of customers and provide comprehensive solutions to customers. Thus, selling and distribution expenses for the first half of the year amounted to HK\$17,344,000, an increase of HK\$5,499,000 as compared with the corresponding period last year. Selling and distribution expenses (including costs such as the salaries of sales personnel) increased with the inclusion of the businesses of three subsidiaries upon the acquisition. In addition, with the organization of exhibition and related sales promotion activities to enhance the Company’s brand awareness and attraction to new customers, selling, exhibition and promotion expenses for the first half of the year amounted to HK\$2,747,000, representing an increase of HK\$2,323,000 as compared with the same period of last year.

Administrative expenses and other expenses amounted to HK\$85,673,000 for the first half of the year, representing an increase of HK\$7,875,000 as compared to the corresponding period last year. There are several reasons for the significant changes in the expenses. Firstly, amortization expense on patent projects increased from HK\$685,000 in the same period last year to HK\$5,073,000 due to Previous Year's Acquisition, representing an increase of HK\$4,388,000; secondly, salaries, social security and benefits costs amounted to HK\$29,329,000 in total for the first half of this year under the influence of Previous year's Acquisitions, with a period-on-period increase of HK\$3,175,000.

With respect to research and development costs, two of the companies from Previous Year's Acquisition were awarded with the National High-Tech Enterprise qualification, each needs to continuously research and develop new products to meet the market demand and to improve the production process through research and development, substantial research and development expenses were incurred. Therefore, the research and development costs for the first half of this year amounted to HK\$36,792,000, representing an increase of HK\$4,716,000 as compared to the corresponding period last year.

The Group utilized bank loans as part of the funding for the merger and acquisition when carrying out Previous Year's Acquisition, hence loans scales increased in the first half of this year, the finance cost for the first half of this year amounted to HK\$8,777,000, compared to HK\$4,366,000 for the corresponding period last year, representing an increase of HK\$4,411,000.

For the six months ended 30 June 2024, the Group recorded an unaudited net profit of HK\$12,688,000, representing an increase of HK\$4,457,000 or 54.1% as compared to HK\$8,231,000 for the corresponding period last year.

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

As at 30 June 2024, the Group had total bank borrowings of HK\$296,641,000 (31 December 2023: HK\$166,355,000), which were secured by corporate guarantees given by the Company and its subsidiaries, as well as equity interests and real estates of its subsidiary. The increase in loans was mainly due to the payment for Previous Year's Acquisition and the construction cost of a new plant.

Specifically, the Group pledged deposits of HK\$20,000,000 (31 December 2023: HK\$20,000,000) to secure daily working capital and pledged deposits of HK\$2,055,000 to secure letters of guarantee (31 December 2023: HK\$2,099,000). The Company pledged the equity interest of a subsidiary to obtain funds for Previous Year's Acquisition, and at last, the Company pledged the real estates in Jiangsu held by a subsidiary to obtain funds for the construction of a new plant.

Except for above pledges and restricted deposits, the Group had no charge on any of its assets for its banking facilities as at 30 June 2024.

## **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 2024, based on the 1,052,254,135 ordinary shares in issue (31 December 2023: 1,052,254,135 ordinary shares), cash attributable to each share amounted to HK\$0.53 (31 December 2023: HK\$0.66).

For the six months ended 30 June 2024, net cash inflow from the Company's operating activities was HK\$23,174,000, representing a decrease of HK\$16,644,000 as compared to HK\$39,818,000 for the corresponding period last year.

Net cash outflow from investment activities was HK\$254,278,000, mainly due to the payment for the remaining amounts of Previous Year's Acquisition in the first half of the year of HK\$168,064,000. Apart from that, investments in property, plant and equipment of various categories during the year amounted to HK\$95,430,000 for the development of new projects to enhance productivity. Net cash outflow from investment activities for the corresponding period last year was HK\$35,474,000, representing an increase of HK\$218,804,000.

Net cash inflow from financing activities was HK\$110,065,000 for the first half of the year, mainly due to the new bank loans amounted to HK\$214,292,000 for the payment of the consideration for Previous Year's Acquisition and the construction of the new plant, as well as for the repayment for bank and other borrowings and related interests of HK\$103,220,000 for the first half of the year. While net cash outflow from financing activities was HK\$24,312,000 for the corresponding period last year.

Overall, the Group's net cash (cash and bank balances less total bank and other borrowings) as at 30 June 2024 was HK\$254,418,000, representing a decrease of HK\$233,436,000 as compared to HK\$488,854,000 as at 31 December 2023.

## **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 and Euros, whereas most of the Group's expenses, such as major raw materials, costs of machineries and equipment, and production expenses, are denominated in Japanese yen, Renminbi, Thai baht and HK dollar, fluctuations in exchange rates can materially affect the Group, in particular, the appreciation of Renminbi will adversely affect the Group's profitability. The management of the Group continuously evaluates the foreign exchange risks of the Group and takes measures when necessary to reduce the risks.

## **HUMAN RESOURCES**

The Company focused on the nurturing of lean talent and building up a lean talent echelon so as to ensure the sufficiency of key technical talents for the development of the Company in the future. In order to protect our employees, the Company pays attention to the safety policy and conducts regular safety trainings to enhance employees' awareness of production safety and to avoid production safety accidents and injuries on the production line. Secondly, we provide free medical checkups to our employees to protect their health and to detect health problems as early as possible and get proper treatment.

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 schemes for our staff.

As at 30 June 2024, the Company had a total of 2,257 employees, representing an increase of 86 employees as compared to 2,171 employees as at 30 June 2023. The total remuneration payment of the Group for the six months ended 30 June 2024 was approximately HK\$119,663,000 (30 June 2023: approximately HK\$109,302,000).

## **PROSPECT**

Although fuel vehicles still have a substantial market share in the short and medium term, new energy vehicles are gradually expanding their market share, despite the blockage of new energy vehicles manufactured by China in Europe and the United States, the market share of new energy vehicles will be further increased and continue to take up the market share of traditional fuel vehicles, so that traditional automobile market is showing a trend of order reduction in the long run. In addition, the unstable relationship between China and the U.S., in particular the results of the U.S. election, directly affecting the relationship between the two countries and the economic interaction.

In addition, it is expected that global sales of construction machinery will decrease year-on-year in 2024, and the Chinese market will also decline slightly, and the domestic hydraulic industry will intensify the price war, which will affect the profit level of the hydraulic equipment components business in the future.

Therefore, the Company focuses on “sales breakthrough, research and development promotion, cost reduction and efficiency enhancement, transformation and upgrading” to cope with the weak economy, market changes and the relationship between China and the United States. We will further develop new products, enhance our brand awareness, and actively participate in industry exhibitions to develop new customer markets. The Company will increase the efforts in the recruitment of key personnel to enhance the Company’s research and development level; assist the Company in sales breakthroughs, as well as improve the current production process. The Company continues to carry out automation projects and promote lean projects to improve operational efficiency, while improving product quality and production efficiency through incentive programs.

Finally, on behalf of the Board, I would like to thank all the staff 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 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (including sale of treasury shares) listed on the Stock Exchange. As of 30 June 2024, the Company did not hold any treasury shares.

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: Nil).

### **Model Code for Securities Transactions**

The Company has adopted its own code of conduct governing directors' dealings in the Company's securities (the "**Own Code**") on terms no less than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Specific enquiry has been made to all directors and all of them have confirmed that they had complied with the Own Code and Model Code throughout the six months ended 30 June 2024.

The Company has also established written guidelines on no less exacting than the Model Code (the "**Employees Written Guidelines**") for governing the securities transactions by employees who are likely to possess inside information of the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company throughout the reporting period.

In case when the Company is aware of any restricted period for the dealings in the Company's securities, the Company will notify its directors and relevant employee in advance.

### **EVENTS AFTER THE REPORTING DATE**

Save as disclosed in this announcement, there are no material subsequent events undertaken by the Group after 30 June 2024 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining 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 Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of the Appendix C1 to Listing Rules as the basis of the Company’s corporate governance practices and the Board is of the view that the Company has met the CG Code 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 C.2.1 of the CG Code. Mr. Zeng Guangsheng (“**Mr. Zeng**”) 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 Rusheng (Chairman of the Audit Committee), Mr. Cheung, Chun Yue Anthony and Mr. Zhu Jianbiao, has reviewed together 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 as well as reviewed the interim results of the Group for the six months ended 30 June 2024.

## **AMENDMENTS AND ADOPTION OF NEW MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF CHINESE NAME**

In order to comply with Rule 2.07A of the Listing Rules, in relation to the dissemination of corporate communications to shareholders by way of electronic means and incorporate other amendments to Articles for the purpose of providing greater flexibility to the Company relating to the conduct of general meeting, on 22 March 2024, the Board proposed to make the amendments to the Memorandum and Articles of Association of the Company. The aforesaid amendments were approved by Shareholders at the annual general meeting of the Company held on 10 May 2024. For details of the aforesaid amendments, please refer to the announcements dated 22 March 2024, 10 May 2024 and the circular dated 15 April 2024 respectively.



## **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 2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the Shareholders (if applicable) 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. Zhu Jianbiao

By order of the Board  
**IPE Group Limited**  
**Mr. Tam Yiu Chung**  
*Company Secretary*

Hong Kong, 26 August 2024