



BOARD OF 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

AUTHORISED REPRESENTATIVES

Mr. Zeng Guangsheng
Mr. Tam Yiu Chung

COMPANY SECRETARY

Mr. Tam Yiu Chung

AUDIT COMMITTEE

Mr. Yang Rusheng (Chairman)
Mr. Cheung, Chun Yue Anthony
Mr. Mei Weiyi

REMUNERATION COMMITTEE

Mr. Cheung, Chun Yue Anthony (Chairman)
Mr. Zeng Guangsheng
Mr. Yang Rusheng
Mr. Mei Weiyi

NOMINATION COMMITTEE

Mr. Zeng Guangsheng (Chairman)
Mr. Yang Rusheng
Mr. Cheung, Chun Yue Anthony
Mr. Mei Weiyi

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Cheung, Chun Yue Anthony (Chairman)
Mr. Zeng Guangsheng
Mr. Yang Rusheng
Mr. Mei Weiyi

LEGAL ADVISERS TO THE COMPANY

King & Wood Mallesons

WEBSITE

<http://www.ipegroup.com>



REGISTERED OFFICE

89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 5–6, 23/F
Enterprise Square Three
39 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.8 Zhuzian Road, Yue Hu Cun
Zengcheng, Guangzhou
Guangdong Province, The PRC
Post code: 511335

PRINCIPAL PLACE OF BUSINESS IN THAILAND

99/1 Mu Phaholyothin Road, Sanubtueb
Wangnoi, Ayutthaya 13170, Thailand

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with
the Financial Reporting Council Ordinance

STOCK CODE

929

LISTING VENUE

Main Board of The Stock Exchange of Hong Kong Limited



IPE Group Limited (the “Company” or “IPE Group”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2002. The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of high precision metal components.

The Group started its high precision components business in 1990 in Singapore and now produces high precision metal components and assembled parts used in automotive parts, hydraulic equipment, electronic equipment component and other devices.

The Group’s highly valued customers are top-tier multinational corporations in the information technology, fluid

A L

2021



Guangzhou Xin Hao established the Guangdong Precision Manufacturing (Xin Hao) Engineering Technology Research Center

Guangzhou Xin Hao was awarded the Supplier Quality Excellence Award by GM Group

Guangzhou Xin Hao became the Graduate School-Enterprise Education Partnership Base of Yanshan University

2020



Guangzhou Xin Hao was one of the Top 500 Enterprises in Guangdong Manufacturing Industry

Dongguan Koda received the Supplier Best Progress Award from Dongguan Lingyi Precision Manufacturing Technology Co., Ltd

Guangzhou Xin Hao received the Long Service Award from Bosch Rexroth (China) Limited in recognition of providing consistent quality of products and services

2019



IPE Group Limited was appointed an executive member of the China Robot Industry Alliance

Guangzhou Xin Hao was appointed a founding executive member of Guangzhou Robot Association

IPE Group Limited nominated as premium supplier by Schaeffler and Continental

2018



Signed a strategic framework cooperation agreement with Huanan Industrial Technology Research Institute of Zhejiang University

Guangzhou Xinhao was accredited with High and New-Technology Enterprise

Changshu Keyu Greystone and Dongguan Koda were accredited IATF 16949 certification — automotive certification

2017



Success setup a Graduate School-Enterprise Education Partnership Base with Graduate School at Shenzhen, Tsinghua University

Guangzhou Xinhao was accredited IATF16949 certification — automotive certification

2015



Success developed own brandname robots

2014



Jiangsu Koda completed construction of Phase 1 of the development of our Changshu site which provided 40,000 m2 of production area

Before
2013



Established Jiangsu Koda in Jiangsu Province, The PRC, purchased 166,631 m² of land in Changshu in 2011

Guangzhou Xin Hao was accredited TS16949 certification — automotive certification in 2010

Listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 November 2004

Established Guangzhou Xin Hao in Guangdong Province, The PRC in 2002

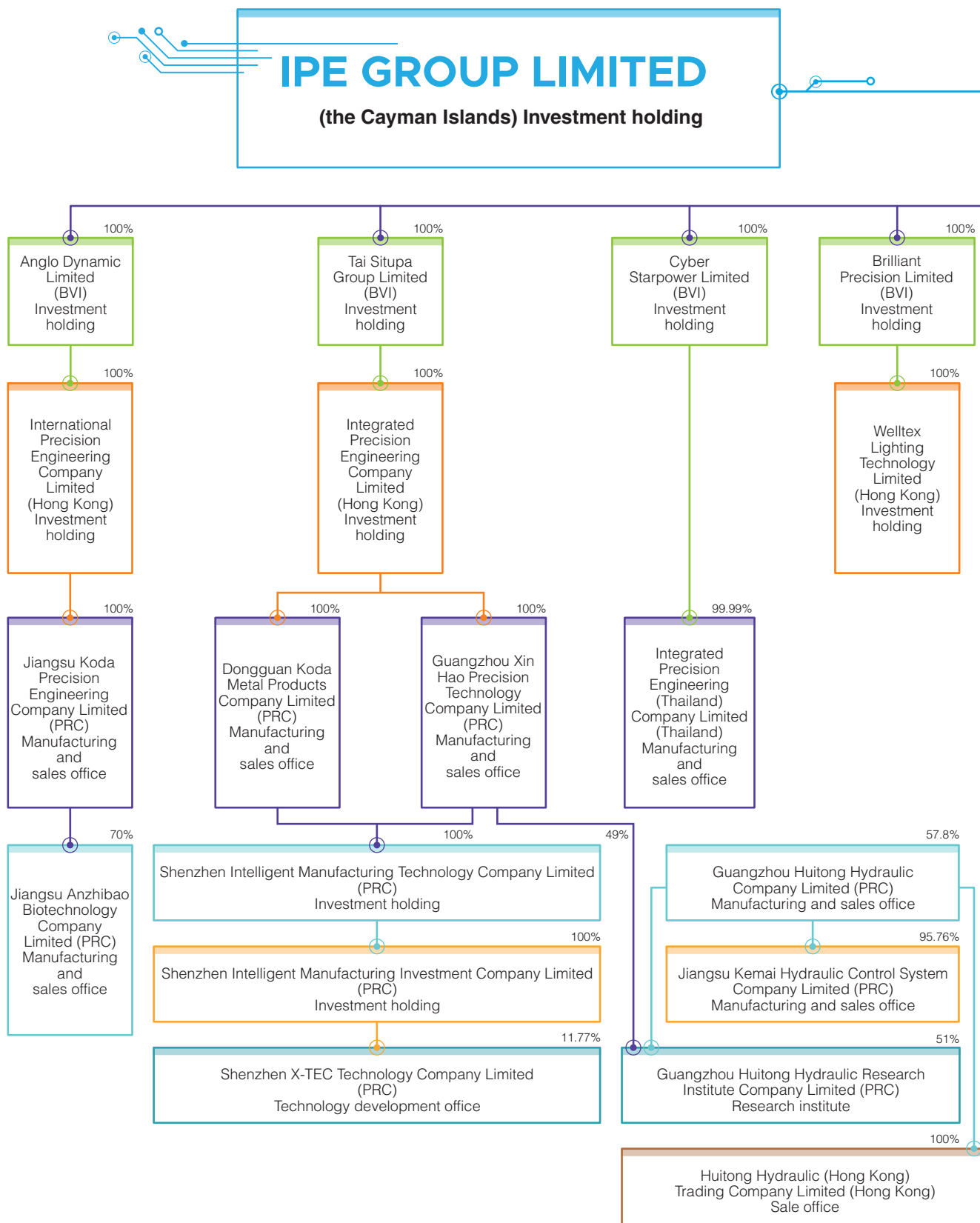
Established IPE (Thailand) in Thailand in 1997

Established IPE (Hong Kong) in Hong Kong and Dongguan Koda in Guangdong Province, The PRC in 1994

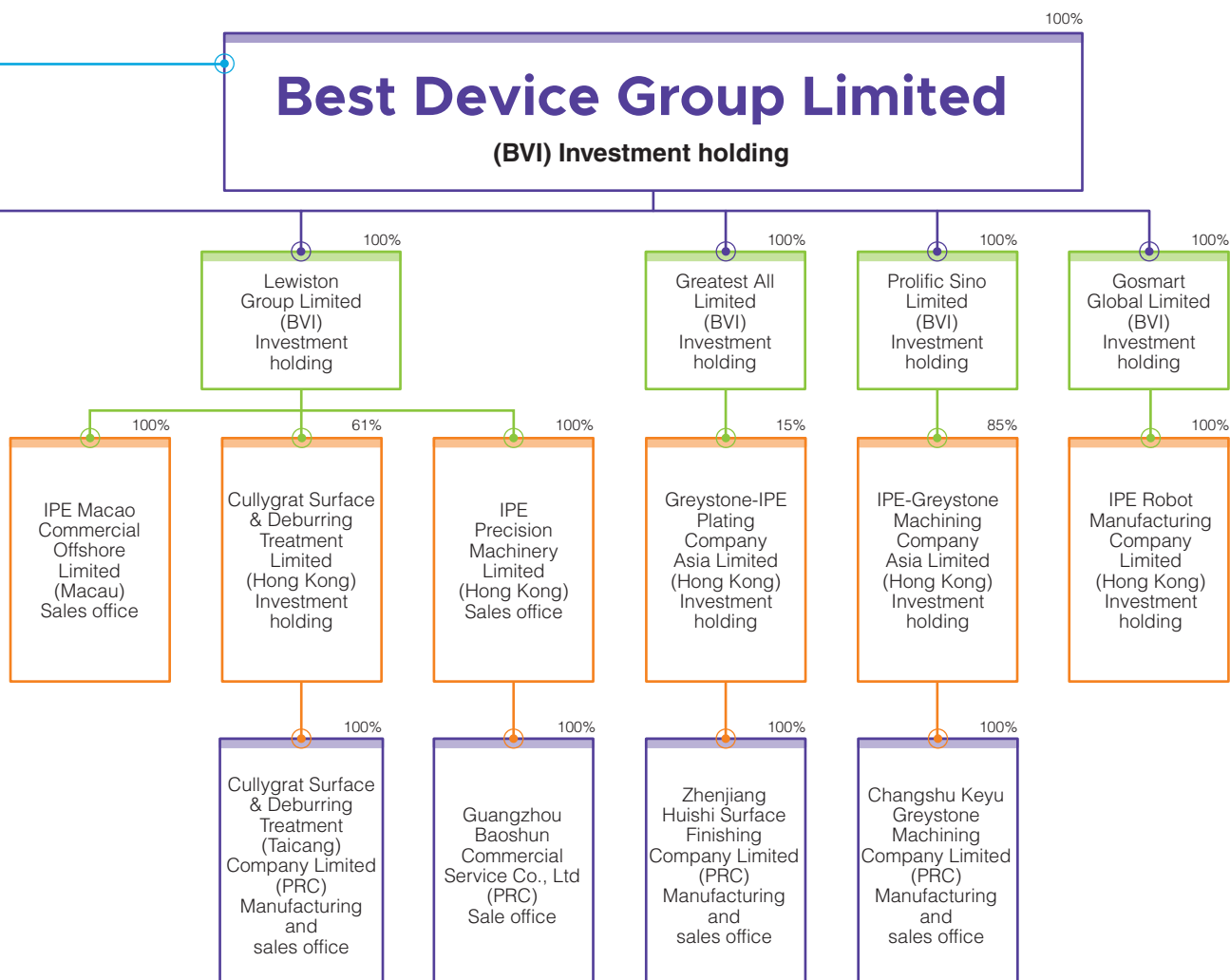
Established IPE (Singapore) in Singapore in 1990

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Principal subsidiaries and associate of the Company as at 30 June 2022



Principal subsidiaries and associate of the Company as at 30 June 2022



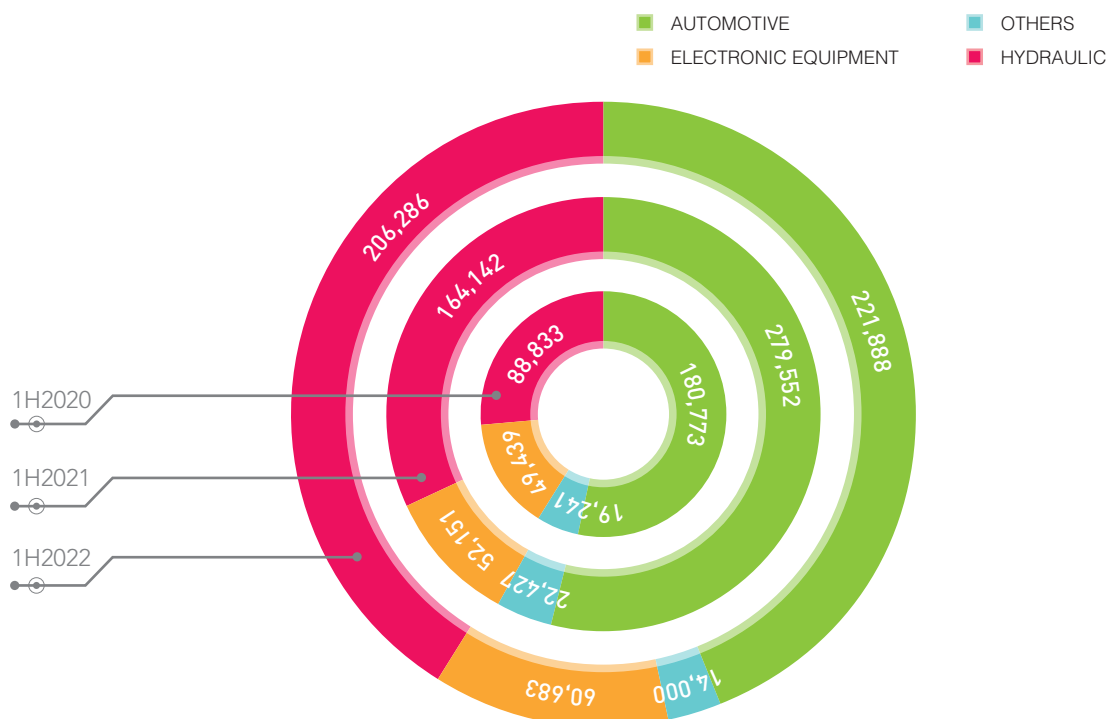
RATIO ANALYSIS

	30 June 2022	Year ended 31 December			
		2021	2020	2019	2018
KEY STATISTICS:					
Current ratio	5.88	4.21	6.42	7.93	2.59
Net cash to equity ratio	0.31	0.34	0.38	0.34	0.24
Gearing ratio [#]	10.9%	7.3%	10.9%	15.1%	25.8%
Dividend payout ratio	N/A	N/A	N/A	13.1%	11.2%
Gross profit margin	27.0%	25.9%	23.0%	22.3%	30.8%
EBITDA margin	15.8%	20.8%	16.9%	19.7%	27.5%
Net profit margin	3.9%	8.8%	4.0%	5.1%	9.0%
Average days of debtor turnover	103 days	97 days	115 days	110 days	103 days
Average days of inventory turnover	162 days	128 days	138 days	153 days	143 days
PER SHARE DATA:					
Net asset value per share (HK\$)	1.90	1.96	1.79	1.63	1.61
Dividend per share	Nil	Nil	Nil	HK0.50 cents	HK0.90 cents
Earnings per share – basic	HK1.1 cents	HK7.7 cents	HK2.6 cents	HK3.83 cents	HK8.11 cents
Earnings per share – diluted	HK1.1 cents	HK7.7 cents	HK2.6 cents	HK3.83 cents	HK8.11 cents

[#] The gearing ratio is calculated as interest bearing bank loan divided by equity.

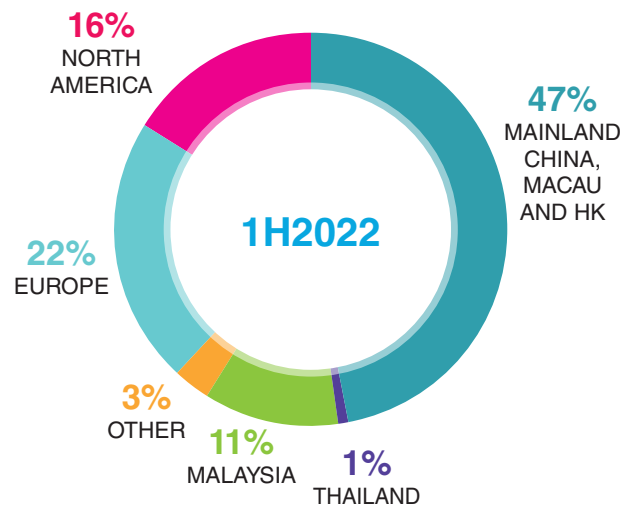
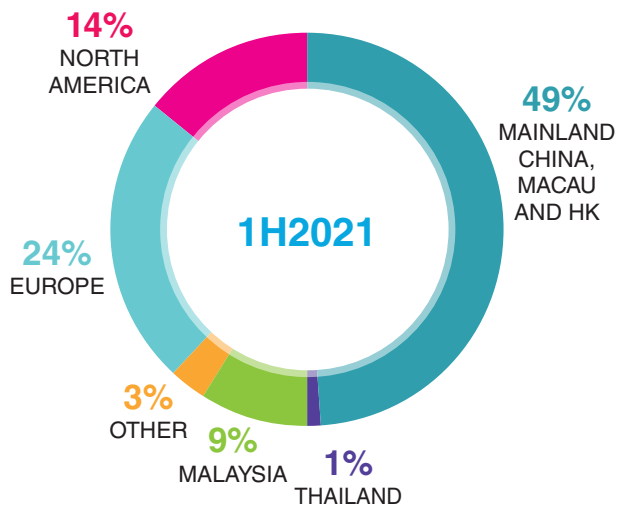
BUSINESS SEGMENTS

HK\$'000

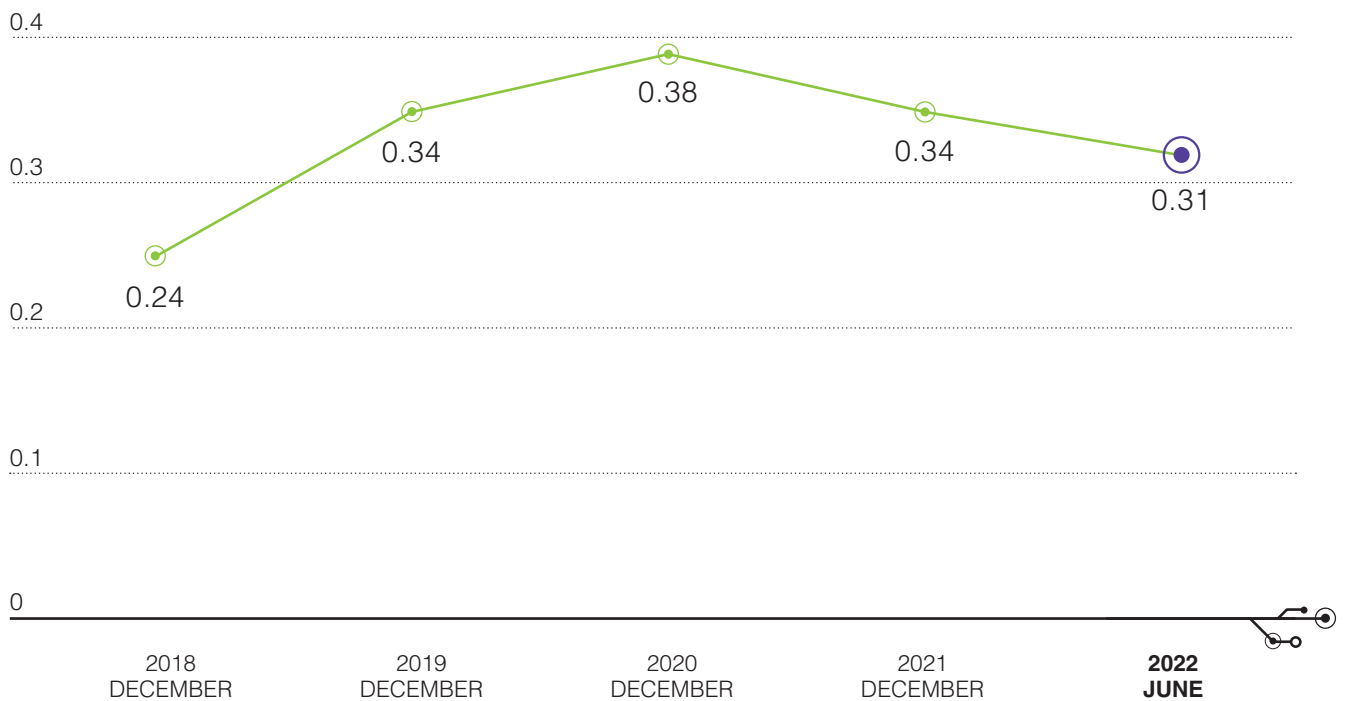




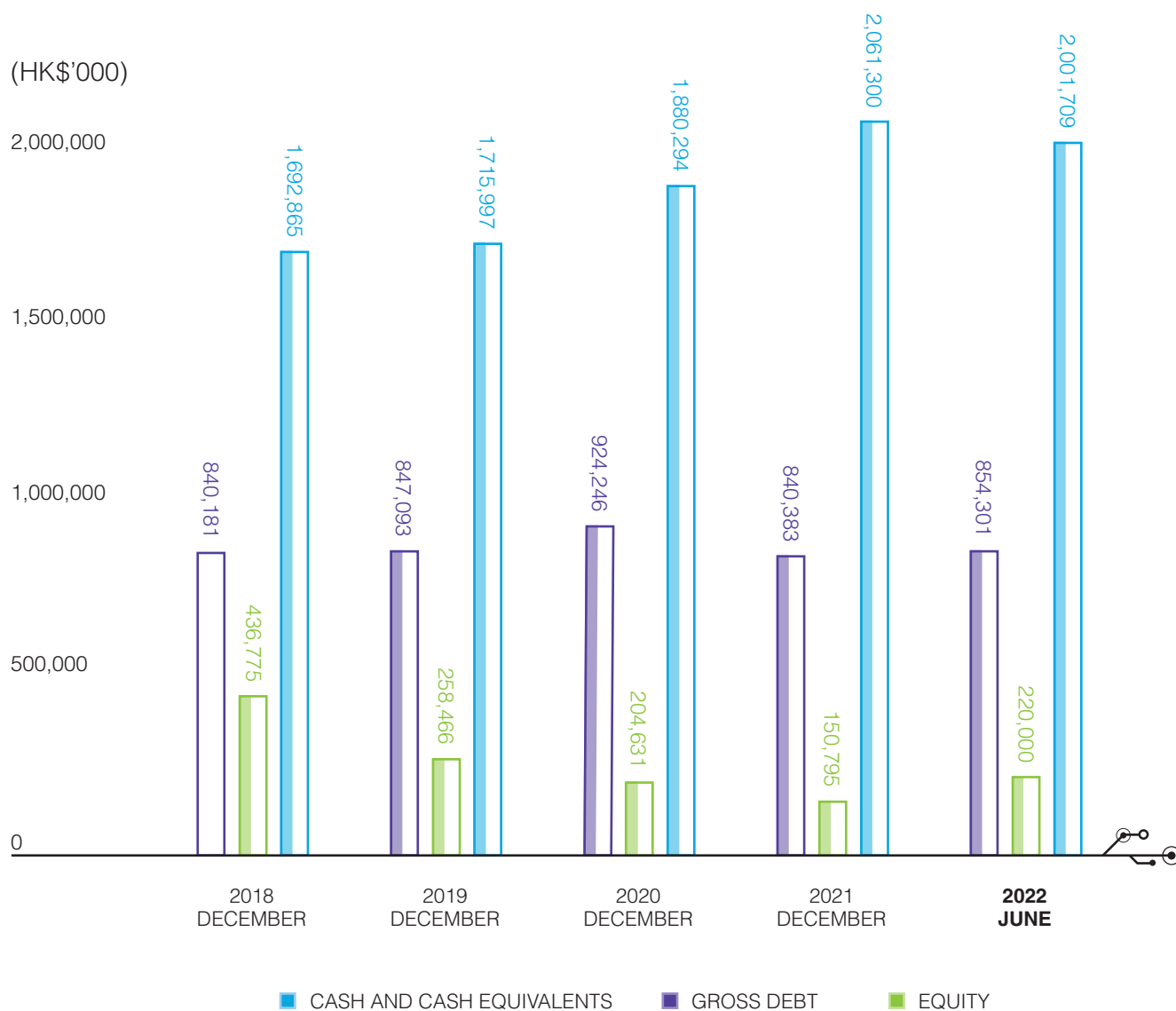
GEOGRAPHICAL COMBINATION



NET CASH TO EQUITY RATIO



CASH AND CASH EQUIVALENTS, GROSS DEBT AND EQUITY





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 2022.

BUSINESS REVIEW

China remains highly vigilant against the COVID-19 pandemic to prevent the extensive outbreak of the pandemic in communities and avoid large-scale human infection. Earlier in the year, the pandemic hit many cities in China, including Shanghai, Tianjin and Changchun. Particularly in Shanghai, as the pandemic surged, the local government implemented a prolonged prohibition on business activities, which had a wide range of impact. In compliance with various local pandemic prevention measures, some of the Group's customers located in the above areas could not operate as normal and had to suspend production, postpone the delivery date and wait for the resumption of work. Besides, the production and operations of the Group's production bases located in Changshu, Jiangsu Province were also affected by the implementation of relevant pandemic prevention policies in the above regions.

In addition to the above, the global chip supply was tight in the third quarter last year, which affected the supply chain of automobile manufacturers. The global chip shortage has not been fully resolved and continues up to date. As a result, the sales orders of automotive components in the first half of 2022 failed to recover to the level of the corresponding period last year.

For the first half of 2022, sales of automotive components amounted to HK\$221,888,000, representing a decrease of HK\$57,664,000 or 20.6% as compared to the corresponding period last year.

With its strategic adjustment and greater investment in hydraulic business, the Group acquired Jiangsu Kemai Hydraulic Control System Company Limited ("Kemai Hydraulic") last year, the effect of which was reflected on the results of the hydraulic business of the Group for the first half of the year. Coupled with the development of domestic hydraulic customers, the hydraulic business recorded a satisfactory increase in sales. For the first half of 2022, revenue of hydraulic components business amounted to HK\$206,286,000, representing an increase of HK\$42,144,000 or 25.7% as compared to the corresponding period last year.

The following table shows the sales and comparative data of the Company's each business for the first half of 2022:

	1H 2022		1H 2021		Change %
	HK\$'000	%	HK\$'000	%	
Automotive components	221,888	44.1	279,552	54.0	-20.6
Hydraulic equipment components	206,286	41.0	164,142	31.7	+25.7
Electronic equipment components	60,683	12.1	52,151	10.0	+16.4
Others	14,000	2.8	22,427	4.3	-37.5
Total	502,857	100	518,272	100	-3.0



BUSINESS REVIEW (Continued)

Despite the deteriorated economic environment in China in the first half of year, the Group continued to invest resources in research and development and related talents to improve technological level and maintain competitiveness for its long-term development. During the period, the Group established a research institute to develop more advanced technologies for the Group and open up new prospects for the future with its years of implementation capabilities and new research perspectives.

In response to the declining automotive component orders, the Group has implemented lean production with unremitting efforts in order to reduce waste and give effect to cost reduction. The expansion of the application scope of its independently developed manipulator not only reduces labor costs for the Group, but also improves the quality of the Group's products. In particular, with its diverse research achievements, the Group has become a forerunner in the application of automation in the detection of precision components in China.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group recorded sales of HK\$502,857,000, representing a decrease of HK\$15,415,000 or 3.0% as compared to HK\$518,272,000 for the corresponding period last year, mainly due to the decline in the revenue from automotive components as a result of the production suspension and order delay of some domestic customers as affected by the outbreak of the COVID-19 pandemic in China at the beginning of the year. Even though the total revenue declined, the gross profit margin improved as the acquisition of hydraulic business resulted in a change in sales mix. Gross profit for the first half of 2022 was HK\$135,756,000, representing an increase of HK\$6,081,000 as compared to the corresponding period last year, and the gross profit margin for the first half of the year was 27.0%, representing an increase of 2.0% as compared to 25.0% for the corresponding period last year.

Other income amounted to HK\$24,580,000 for the first half of the year, representing an increase of HK\$2,832,000 or 13.0% as compared to the corresponding period last year, mainly attributable to the appreciation of US dollars. The Group held US dollar assets due to its foreign trade business, resulting in an exchange gain of HK\$9,836,000 for the first half of the year, while the government subsidies received by the Group from local governments decreased by HK\$5,475,000 as compared to the corresponding period last year as the pandemic eased in China.

Selling and distribution expenses for the first half of the year amounted to HK\$12,014,000, representing an increase of HK\$1,089,000 compared to the corresponding period last year, mainly due to the increase in the related selling expenses upon the acquisition of Kemai Hydraulic, and the increase in transportation fees and



FINANCIAL REVIEW (Continued)

For finance costs, finance costs amounted to HK\$1,913,000 for the first half of the year, representing a decrease of HK\$1,025,000 as compared to HK\$2,938,000 for the corresponding period last year, mainly due to the decrease in interest expenses of loans after the repayment of old loans in the first half of the year and new bank loans in place in the first half of the year.

For the six months ended 30 June 2022, the Group recorded an unaudited net profit of HK\$19,644,000, representing a decrease of HK\$12,394,000 as compared to HK\$32,038,000 in the corresponding period last year.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, the Group had total borrowings of HK\$220,000,000 (31 December 2021: HK\$150,795,000), secured by corporate guarantee given by the Company and its subsidiaries. Besides, as at 30 June 2022, the Group pledged deposits of HK\$2,426,000 to issue letters of guarantee (31 December 2021: HK\$2,427,000). Except for pledged and restricted deposit, the Group had no charge on any of its assets for its banking facilities as at 30 June 2022.

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 2022, based on the 1,052,254,135 ordinary shares in issue (31 December 2021: 1,052,254,135 ordinary shares), cash attributable to each share amounted to HK\$0.81 (31 December 2021: HK\$0.80), being broadly stable as there was no significant investment in the first half of the year. The net asset value per share amounted to HK\$1.90, representing a slight decrease of HK\$0.06 as compared to HK\$1.96 last year.

For the six months ended 30 June 2022, net cash inflow from the Company's operating activities was HK\$32,356,000, representing a decrease of HK\$39,812,000 as compared to HK\$72,168,000 for the corresponding period last year.

Net cash outflow from investment activities was HK\$43,142,000, mainly due to the investment in machinery and equipment in the first half of the year to enhance the Group's production capacity. Besides, net cash outflow from investment activities for the first half of the year decreased by HK\$89,098,000 from HK\$132,240,000 for the corresponding period last year, which was due to the acquisition of Jiangsu Kemai, in addition to the purchase of machinery and equipment in the corresponding period last year.



LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS (Continued)

In terms of financing activities, the Group received a new three-year bank loan in the first half of the year to repay original bank loans due and payable. As a result, net cash inflow from financing activities amounted to HK\$70,228,000. Net increase in cash and cash equivalents for the first half of 2022 was HK\$59,442,000, compared with net decrease in cash and cash equivalents of HK\$74,703,000 for the corresponding period last year.

Overall, the Group's net cash (cash and bank balances less total bank borrowings) as at 30 June 2022 was HK\$634,301,000, representing a decrease of HK\$55,287,000 as compared to HK\$689,588,000 as at 31 December 2021.

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, machineries and equipment, and production expenses, are denominated in US dollars, Euros and Renminbi, 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 monitors its relevant foreign exchange risks by entering into forward foreign exchange contracts, and continuously evaluates the foreign exchange risks of the Group and takes measures when necessary to reduce the risks.

HUMAN RESOURCES

As China's economy slows down recently this year, college graduates are facing difficulties in finding jobs. Recognising that talent is an important factor for development and the success of an enterprise often depends on whether it can recruit suitable talents, the Company, against the backdrop of global economic slowdown, delegates the human resources department to identify suitable talents at multiple levels and in various places, taking into consideration the geographic distribution of talents. The Group focuses on the training and development of such talents upon recruitment, and has established a research institute for the recruitment of graduates with a master or doctor degree.

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 schemes for our staff.

As at 30 June 2022, the Company had a total of 2,405 employees, representing an increase of 211 employees as compared to 2,194 employees as at 30 June 2021.



PROSPECT

Due to the shortage of chip supply, the automotive business is expected to remain at a low level for a period of time and may not recover in a short term. Meanwhile, taking advantage of its years of experience in precision machining, the Group will continuously expand the lines of business to reduce the impact of chip shortage, diversify its operations and reduce its dependence on a single business.

The acquisition completed last year has significantly improved the profit and revenue, and accelerated the performance growth of the Group. In the future, the Company will continue to look for cooperation opportunities and mergers and acquisitions projects to speed up profit growth and realise synergies through mergers and acquisitions.

In China, the recent decline in the real estate industry has also shrunk the demand for heavy hydraulic equipment. Globally, affected by the Russia-Ukraine war, the overall economy has experienced fluctuations and even retreated. Therefore, the Group must diversify its current hydraulic business and expand application scenarios in order to avoid excessive concentration on a single application. Recently, the establishment of research institute helps the Group absorb many professionals, and is beneficial to the acceleration of research and development of production technology and product of the Group in the same way as the prior cooperation with domestic colleges. More importantly, with its decades of high-precision production process and advanced process technology as improved by the research institute, the Group is believed to have many advantages in product technology and applications in the future.

Moreover, the Group will improve supply chain management, minimize inventory, speed up production cycle, and implement appropriate management measures. Besides, it will continue to optimize procurement cycle and performance forecast to improve its ability to respond to market changes.

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.

Mr. Zeng Guangsheng

Chairman

19 August 2022

ANNUAL REPORT 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	4&5	502,857	518,272
Cost of sales		(367,101)	(388,597)
Gross profit		135,756	129,675
Other income	5	24,580	21,748
Distribution costs		(12,014)	(10,925)
Administrative expense and other expense		(94,804)	(80,499)
Research and development costs		(20,967)	(12,939)
Profit from operations		32,551	47,060
Finance costs	6	(1,913)	(2,938)
Share of losses of an associate		(600)	(896)
Profit before taxation	7	30,038	43,226
Income tax	8	(10,394)	(11,188)
Profit for the period		19,644	32,038
Attributable to:			
Equity shareholders of the Company		11,482	30,201
Non-controlling interests		8,162	1,837
Profit for the period		19,644	32,038
Earnings per share	9		
Basic		HK1.1 cents	HK2.9 cents
Diluted		HK1.1 cents	HK2.9 cents
Interim dividend per share	10	—	—

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Profit for the period	19,644	32,038
Other comprehensive income:		
Other comprehensive income:		

ALL



ASSETS AND LIABILITIES

	Notes	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank loans	17	170,000	–
Other payables		7,116	2,238
Deferred income		1,732	2,039
Deferred tax liabilities		20,272	27,887
Total non-current liabilities		199,120	32,164
Net assets		2,001,709	2,061,300
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	16	105,225	105,225
Reserves		1,832,725	1,901,121
		1,937,950	2,006,346
Non-controlling interests		63,759	54,954
Total equity		2,001,709	2,061,300

ANNUAL REPORT

	Note	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net cash generated from operating activities		32,356	72,168
INVESTING ACTIVITIES			
Net cash paid for acquisition of a subsidiary		—	(80,989)
Purchases of items of property, plant and equipment		(70,535)	(51,822)
Proceeds from disposal of items of property, plant and equipment		25,854	482
Purchases of financial assets		—	(46,416)
Proceeds from disposal of financial assets		—	45,329
Dividend income received		1,539	1,176
Net cash used in investing activities		(43,142)	(132,240)
FINANCING ACTIVITIES			
Proceeds from new bank loans		220,000	—
Repayment of bank loans		(150,795)	(27,018)
Principal payments of lease liabilities		(304)	(55)
Capital injection from non-controlling interests		1,327	13,183
Dividend paid to non-controlling interests		—	(741)
Net cash generated from/(used in) financing activities		70,228	(14,631)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		59,442	(74,703)
Cash and cash equivalents at beginning of period		840,383	924,246
Effect of foreign exchange rate changes		(45,524)	(15,762)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	854,301	833,781

A L A T

Attributable to owners of the Company													
(Unaudited)	Statutory												
	Issued capital	Share premium account	Contributed surplus	Statutory surplus reserve	public welfare fund	Capital redemption reserves	Share options reserves	Properties revaluation reserves	Exchange fluctuation reserves	Others reserves	Retained profit	Total	Non-controlling interest
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	105,225	472,201	15,880	69,984	287	7,905	36,299	34,527	215,073	4,239	1,044,726	2,006,346	54,954
Profit for the period	-	-	-	-	-	-	-	-	-	-	11,482	11,482	8,162
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	(85,479)	-	-	(85,479)	(684)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(85,479)	-	11,482	(73,997)	7,478
Capital injection	-	-	-	-	-	-	-	-	-	-	-	-	1,327
Equity-settled share options arrangements	-	-	-	-	-	-	5,601	-	-	-	-	5,601	-
At 30 June 2022	105,225	472,201	15,880	69,984	287	7,905	41,900	34,527	129,594	4,239	1,056,208	1,937,950	63,759
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)
Profit for the period	-	-	-	-	-	-	-	-	-	-	30,201	30,201	1,837
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	8,795	-	-	8,795	(300)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	8,795	-	30,201	38,996	1,537
Capital injection	-	-	-	-	-	-	-	-	-	-	-	-	13,183
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(741)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,883
Equity-settled share options arrangements	-	-	-	-	-	-	2,166	-	-	-	-	2,166	-
At 30 June 2021	105,225	472,201	15,880	52,268	287	7,905	36,192	34,527	186,680	-	1,010,942	1,922,107	17,211



Six months ended 30 June 2022

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 2021.

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 2022 for the preparation of the Group’s condensed consolidated financial statements:

Annual Improvements to HKFRSs 2018-2020	Annual Improvement projects
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract

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.



Six months ended 30 June 2022

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.

Six months ended 30 June 2022

4. OPERATING SEGMENT INFORMATION (Continued)

Segment reporting (Continued)

Segment results, assets and liabilities (Continued)

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 2022 and 2021 is set out below.

	Six months ended 30 June 2022 (Unaudited)						
	Thailand HK\$'000	Malaysia HK\$'000	Mainland China Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other Countries HK\$'000	Total HK\$'000
Revenue from external customers recognised by point in time and reportable segment revenue	6,129	54,638	234,777	81,926	110,937	14,450	502,857
Reportable segment profit							
Gross profit	1,655	14,751	63,383	22,118	29,948	3,901	135,756

	Six months ended 30 June 2021 (Unaudited)						
	Thailand HK\$'000	Malaysia HK\$'000	Mainland China Macau and Hong Kong HK\$'000	North America HK\$'000	Europe HK\$'000	Other Countries HK\$'000	Total HK\$'000
Revenue from external customers recognised by point in time and reportable segment revenue	6,035	45,260	250,916	74,264	125,324	16,473	518,272
Reportable segment profit							
Gross profit	1,510	11,324	62,781	18,581	31,357	4,122	129,675

Six months ended 30 June 2022

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	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Revenue recognised at a point in time		
Sale of automotive components	221,888	279,552
Sale of hydraulic equipment components	206,286	164,142
Sale of electronic equipment components	60,683	52,151
Others	14,000	22,427
	502,857	518,272
Other income		
Bank interest income	7,105	7,017
Government grants	3,744	9,219
Dividend income	1,539	1,176
Others	2,356	2,635
	14,744	20,047
Gains		
Gain on disposal of items of property, plant and equipment	—	131
Gain on disposal of financial assets	—	1,570
Foreign exchange difference, net	9,836	—
	24,580	21,748

Six months ended 30 June 2022

6. FINANCE COST

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank loans	836	2,054
Financial arrangement fees	1,023	853
Interest on lease liabilities	54	31
	1,913	2,938

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Cost of inventory sold	367,101	388,597
Depreciation on property, plant and equipment	46,049	40,418
Depreciation on right-of-use asset	226	2,831
Equity-settled share option expenses	5,601	2,166
Amortization	1,634	1,144
Auditors' remuneration	1,444	1,292
Foreign exchange differences, net	(9,836)	2,637
Gain on disposal of items of property, plant and equipment	—	(131)



Six months ended 30 June 2022

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 2021) 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current	17,221	11,188
Deferred	(6,827)	–
Total tax charge for the period	10,394	11,188

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 2022 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.

Six months ended 30 June 2022

9. EARNINGS PER SHARE (Continued)

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Earnings		
Profit attributable to equity shareholders of the Company used in the basic earnings per share calculation	11,482	30,201
	Number of shares (in thousands)	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,052,254	1,052,254

10. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

Six months ended 30 June 2022

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
Cost										
At 1 January 2022	80,058	4,199	777,424	20,356	1,677,930	112,147	14,354	7,458	142,631	2,836,557
Additions	-	-	33,844	-	28,018	7,374	722	577	-	70,535
Disposals	-	-	-	(1,478)	(28,475)	(3,064)	-	-	-	(33,017)
Exchange realignment	(5,402)	(121)	(28,685)	(612)	(75,560)	(5,027)	(527)	(390)	(6,011)	(122,335)
At 30 June 2022	74,656	4,078	782,583	18,266	1,601,913	111,430	14,549	7,645	136,620	2,751,740

Six months ended 30 June 2022

12. INVENTORIES

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Raw materials	93,168	80,200
Consumables	56,992	58,749
Work in progress	120,563	132,189
Finished goods	163,163	144,173
	433,886	415,311
Less: Provision against inventory obsolescence	89,937	99,307
	343,949	316,004

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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 month	97,790	126,989
1 to 2 months	70,413	79,760
2 to 3 months	57,253	57,883
3 to 4 months	31,595	26,948
4 to 12 months	17,227	16,014
	274,278	307,594
Less: impairment	3,709	3,191
	270,569	304,403



Six months ended 30 June 2022

14. CASH AND BANK BALANCES

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Bank deposit and cash	856,727	842,810
Less: Pledged and restricted deposits	(2,426)	(2,427)
Cash and cash equivalents	854,301	840,383

15. TRADE PAYABLES

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 month	41,640	45,445
1 to 2 months	29,865	36,418
2 to 3 months	24,147	16,871
Over 3 months	12,470	9,557
	108,122	108,291



Six months ended 30 June 2022

16. SHARE CAPITAL

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 December 2021: 2,000,000,000) ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid: 1,052,254,135 (31 December 2021: 1,052,254,135) ordinary shares of HK\$0.1 each	105,225	105,225

No movements in issued and fully paid share capital for the six months ended 30 June 2022 and year ended 31 December 2021.

17. BANK LOANS

At 30 June 2021, the bank loans were repayables as follow:

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 year or on demand	50,000	150,795
After 1 year but within 2 years	170,000	–
	220,000	150,795

Note:

At 30 June 2022 and 31 December 2021, all the bank loans of the Group were unsecured and guaranteed by the Company and certain of its subsidiaries.

Some of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2022, none of the covenants relating to drawn down facilities had been breached (2021: Nil).



Six months ended 30 June 2022

18. CAPITAL COMMITMENTS

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Contracted but not provided for:		
Buildings	6,460	2,796
Plant and machinery	1,242	14,348
	7,702	17,144

19. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short term employee benefits	9,382	3,374
Equity-settled share option expense	6,537	1,520
Post-employment benefits	89	286
Total compensation paid to key management personnel	16,008	5,180

20. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 19 August 2022.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the directors and chief executive of the Company, in the shares, underlying shares and debentures of the Company and its associates (within the meaning of Part XV of the Securities of Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) Long positions in the shares and underlying shares of equity derivatives of the Company

Name of director	Capacity and nature of business	Number of Shares/underlying shares in respect of the share options granted	Percentage of shareholding in the Company's issued share capital as at 30 June 2022 ⁽¹⁾
Mr. Zeng Guangsheng	Directly beneficially owned	50,000,000	4.75%
	Directly beneficially owned	77,000,000 ⁽²⁾	7.32%
	Total:	127,000,000	12.07%
Mr. Ng Hoi Ping	Directly beneficially owned	25,000,000 ⁽²⁾	2.38%
Ms. Zeng Jing	Directly beneficially owned	18,000,000 ⁽²⁾	1.71%
Mr. Chen Kuangguo	Directly beneficially owned	5,000,000 ⁽²⁾	0.48%

Notes:

(1) The percentage represents the number of shares or underlying shares divided by the number of the Company's issued shares as at 30 June 2022.

(2) These are in the form of share options granted pursuant to the share option schemes.

(B) Long positions in the ordinary shares of the associated corporation – China Baoan Group Co., Ltd. 中國寶安集團股份有限公司 ("China Baoan Group"), the Company's holding company

Name of director	Capacity and nature of interest	Number of ordinary shares in China Baoan Group	Percentage of China Baoan Group's issued share capital
Mr. Zeng Guangsheng	Directly beneficially owned	672,906	0.03%
Ms. Zeng Jing	Directly beneficially owned	10,222,583	0.40%

Save as disclosed above, as at 30 June 2022, none of the directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, as far as the directors of the Company are aware, the following parties (not being directors or chief executive of the Company) with interests of more than 5% in shares and underlying shares of the Company



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Notes:

- (a) These shares were held by Baoan Technology Company Limited. Baoan Technology Company Limited is a wholly owned entity of China Baoan Group. Accordingly, China Baoan Group was deemed to be interested in the 565,871,250 shares of the Company owned by Baoan Technology Company Limited pursuant to Part XV of the SFO.
- (b) These shares were held by Tottenhill Limited. Tottenhill Limited is wholly owned by Mr. Chui Siu On. Accordingly, Mr. Chui Siu On was deemed to be interested in the 109,206,975 shares of the Company owned by Tottenhill Limited pursuant to Part XV of the SFO.
- (c) These shares were held by Ms. Leung Wing Yi, the wife of Mr. Chui Siu On. Accordingly, Mr. Chui Siu On was deemed to be interested in these 125,000 shares of the Company held by his wife pursuant to Part XV of the SFO.
- (d) These shares were held by Mr. Chui Siu On, the husband of Ms. Leung Wing Yi. Accordingly, Ms. Leung Wing Yi was deemed to be interested in these shares owned by her husband pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2022, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.



SHARE OPTION SCHEME

The previous share option scheme adopted pursuant to a resolution passed by the shareholders on 17 May 2011 (the "2011 Share Option Scheme") had expired on 17 May 2021. In light of the expiry of the 2011 Share Option Scheme and in order to enable the Board to continue providing incentives and rewards to the eligible persons, a new share option scheme was adopted by the shareholders at the extraordinary general meeting of the Company held on 14 January 2022 (the "2022 Share Option Scheme").

The 2011 Share Option Scheme

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2022 for the 2011 Share Option Scheme:

Name or category of participant	Number of share options					At 30 June 2022	Date of grant of share options ⁽²⁾	Exercise period of share options	Exercise price of share option ⁽¹⁾ HK\$ per share
	At 1 January 2022	Granted during the period	Exercised during the period	Expired/ lapsed during the period	Forfeited/ cancelled during the period				
Directors									
Mr. Zeng Guangsheng	22,000,000	-	-	-	-	22,000,000	05/06/2017	01/09/2018 to 31/08/2022	2.0200
	20,000,000	-	-	-	-	20,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Mr. Ng Hoi Ping	10,000,000	-	-	-	-	10,000,000	05/06/2017	01/09/2018 to 31/08/2022	2.0200
	10,000,000	-	-	-	-	10,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Ms. Zeng Jing	8,000,000	-	-	-	-	8,000,000	05/06/2017	01/09/2018 to 31/08/2022	2.0200
	5,000,000	-	-	-	-	5,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Mr. Chen Kuangguo	5,000,000	-	-	-	-	5,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Subtotal	80,000,000	-	-	-	-	80,000,000			
Employees in aggregate	12,300,000	-	-	-	-	12,300,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
	2,700,000	-	-	-	-	2,700,000	10/05/2021	01/04/2022 to 28/02/2026	0.9000
A supplier	2,000,000	-	-	-	-	2,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Subtotal	15,700,000	-	-	-	-	15,700,000			
Total	95,700,000	-	-	-	-	95,700,000			

Notes to the table of share options outstanding during the period:

- (1) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (2) The vesting period is from the date of grant until the commencement of the exercise period.





SHARE OPTION SCHEME (Continued)

The 2022 Share Option Scheme

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2022 for the 2022 Share Option Scheme:

Name or category of participant	Number of share options					At 30 June 2022	Date of grant of share options	Exercise period of share options	Exercise price of share option ⁽³⁾ HK\$ per share
	At 1 January 2022	Granted during the period ⁽¹⁾⁽²⁾	Exercised during the period	Expired/ lapsed during the period	Forfeited/ cancelled during the period				
Directors									
Mr. Zeng Guangsheng ⁽⁴⁾	-	35,000,000 ⁽⁴⁾	-	-	-	35,000,000	17/3/2022	17/09/2022 to 17/09/2026	0.9000
Mr. Ng Hoi Ping	-	5,000,000	-	-	-	5,000,000	17/3/2022	17/09/2022 to 17/09/2026	0.9000
Ms. Zeng Jing	-	5,000,000	-	-	-	5,000,000	17/3/2022	17/09/2022 to 17/09/2026	0.9000
Subtotal	-	45,000,000	-	-	-	45,000,000			
Employees in aggregate	-	5,000,000	-	-	-	5,000,000	17/3/2022	17/09/2022 to 17/09/2026	0.9000
Total	-	50,000,000	-	-	-	5,000,000			

Notes to the table of share options outstanding during the period:

- (1) The closing price of the Company's shares immediately before the date of grant of share options was HK\$0.87 per share. The fair value of the options granted on 17 March 2022 was determined at the date of grant using the binomial option pricing model and was approximately HK\$15 million.
- (2) The vesting period of the share options is from the date of grant to 17 September 2022, both days inclusive.
- (3) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- (4) The grant of share options to Mr. Zeng Guangsheng on 17 March 2022, which exceeded the individual limit, was approved by the independent shareholders at the Company's extraordinary general meeting held on 29 April 2022, pursuant to the Listing Rules.



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, 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 2022 (30 June 2021: 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 C.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 Weiyl, 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 2022.

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 exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Mode Code”). Specific enquiry has been made to all directors and all of them have confirmed that they have complied with the Model Code.



COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES

The Company has also established written guidelines on no less exacting terms 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 six months ended 30 June 2022.

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

UPDATE ON DIRECTOR’S INFORMATION UNDER RULE 13.51B(1)

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