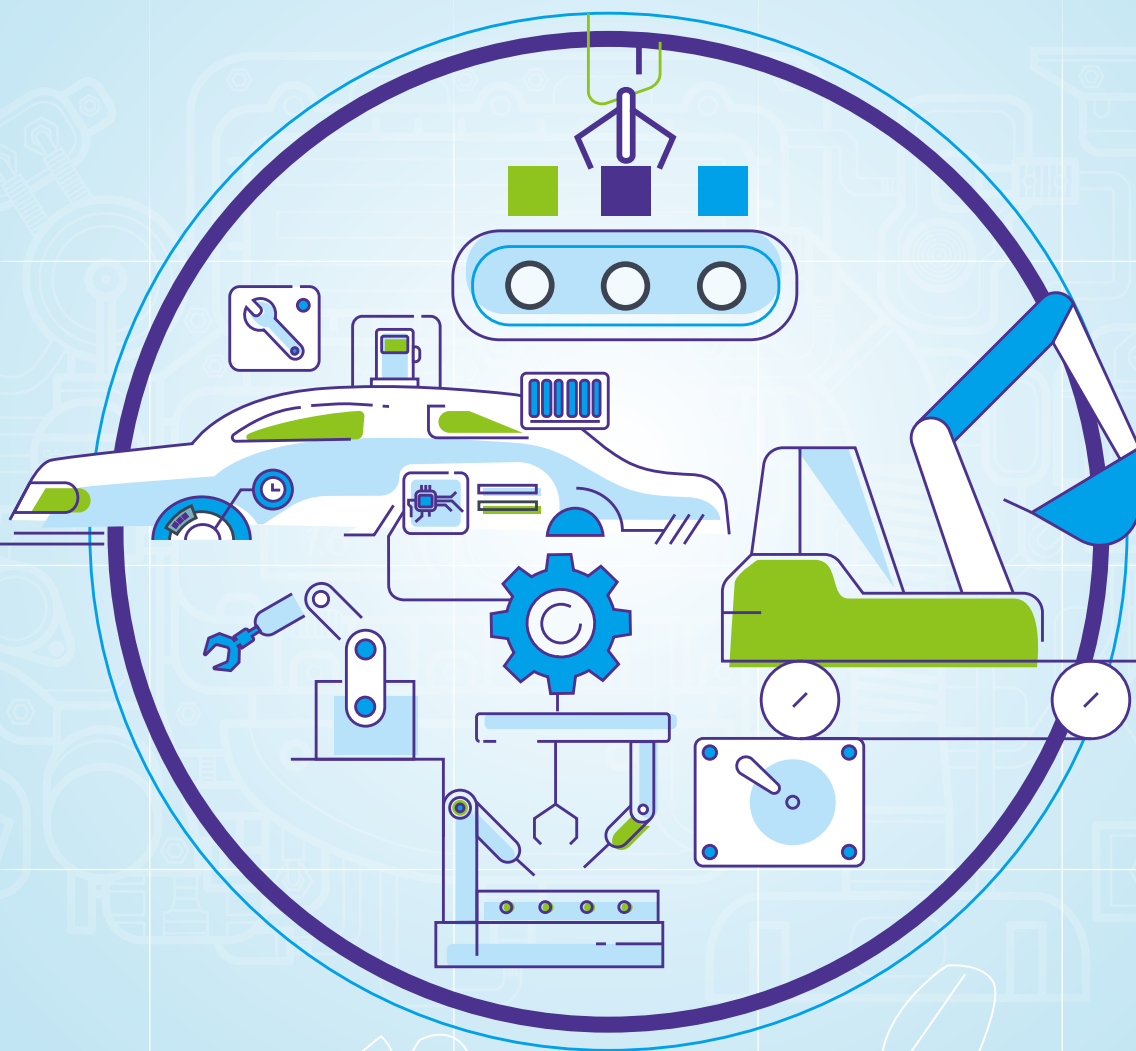




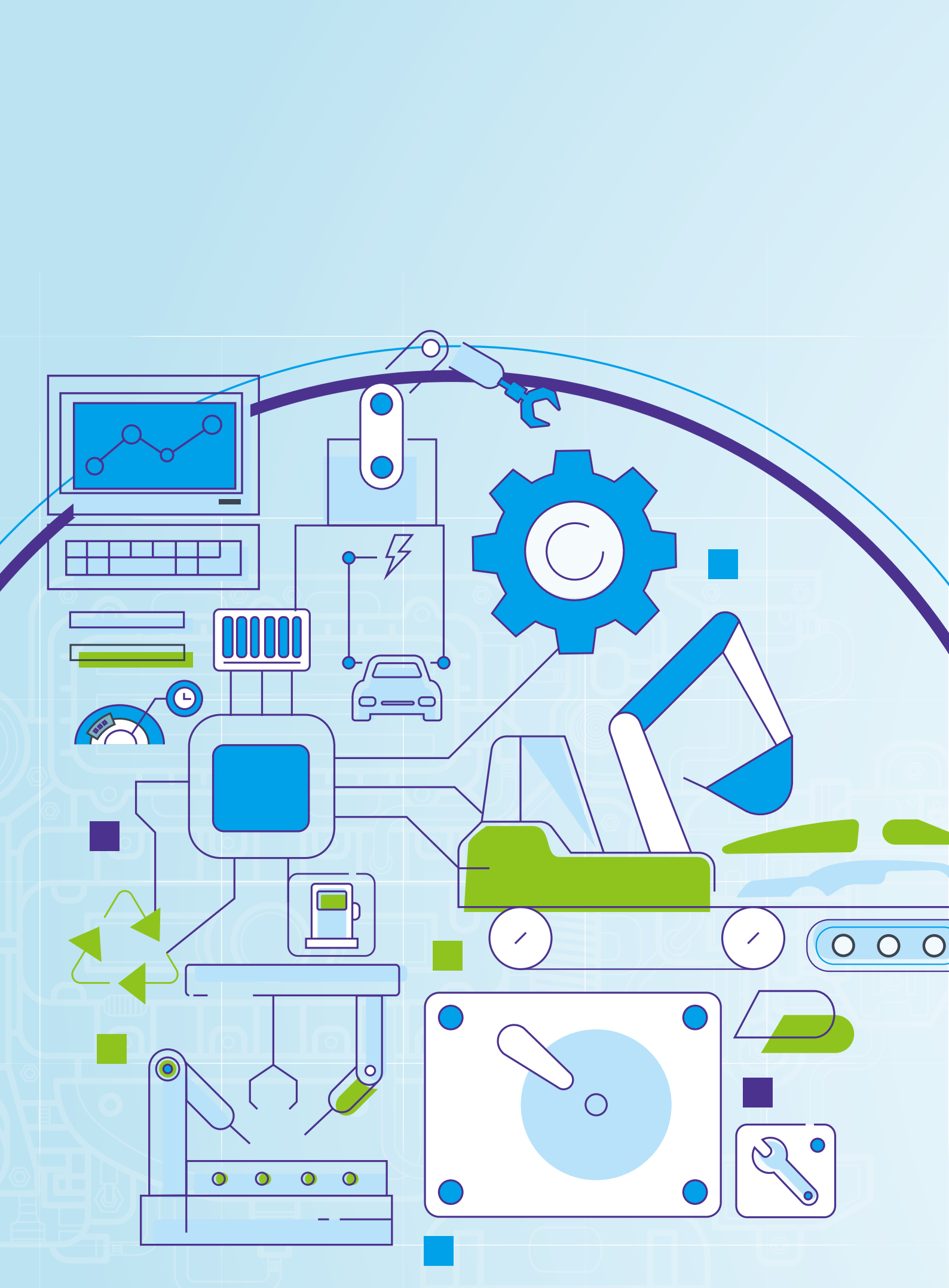
國際精密集團

IPE Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 929)



Interim Report
2021



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CORPORATE INFORMATION

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>

CORPORATE INFORMATION

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 Zhuxian 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 Hong Kong 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

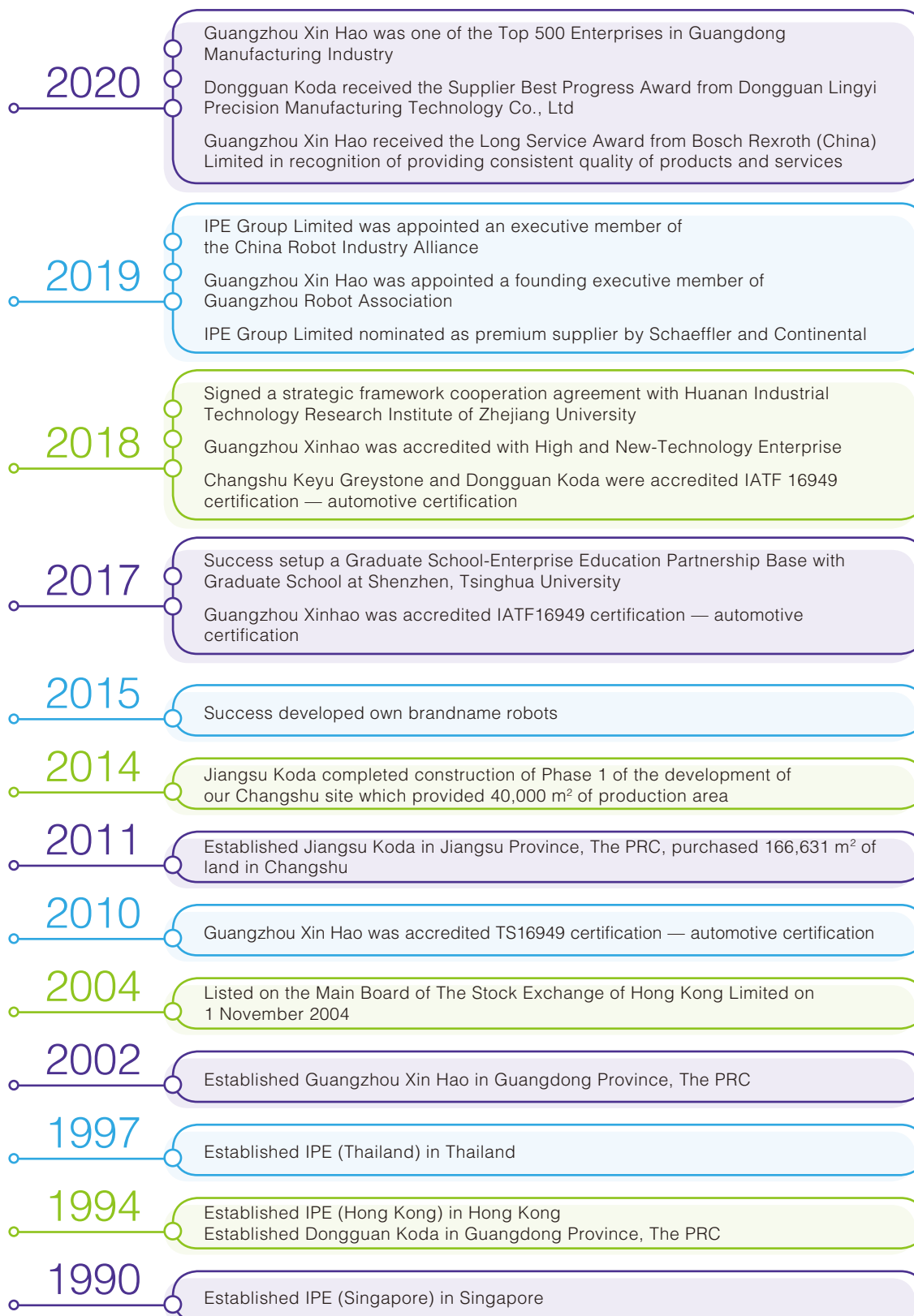
CORPORATE PROFILE

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 and other devices.

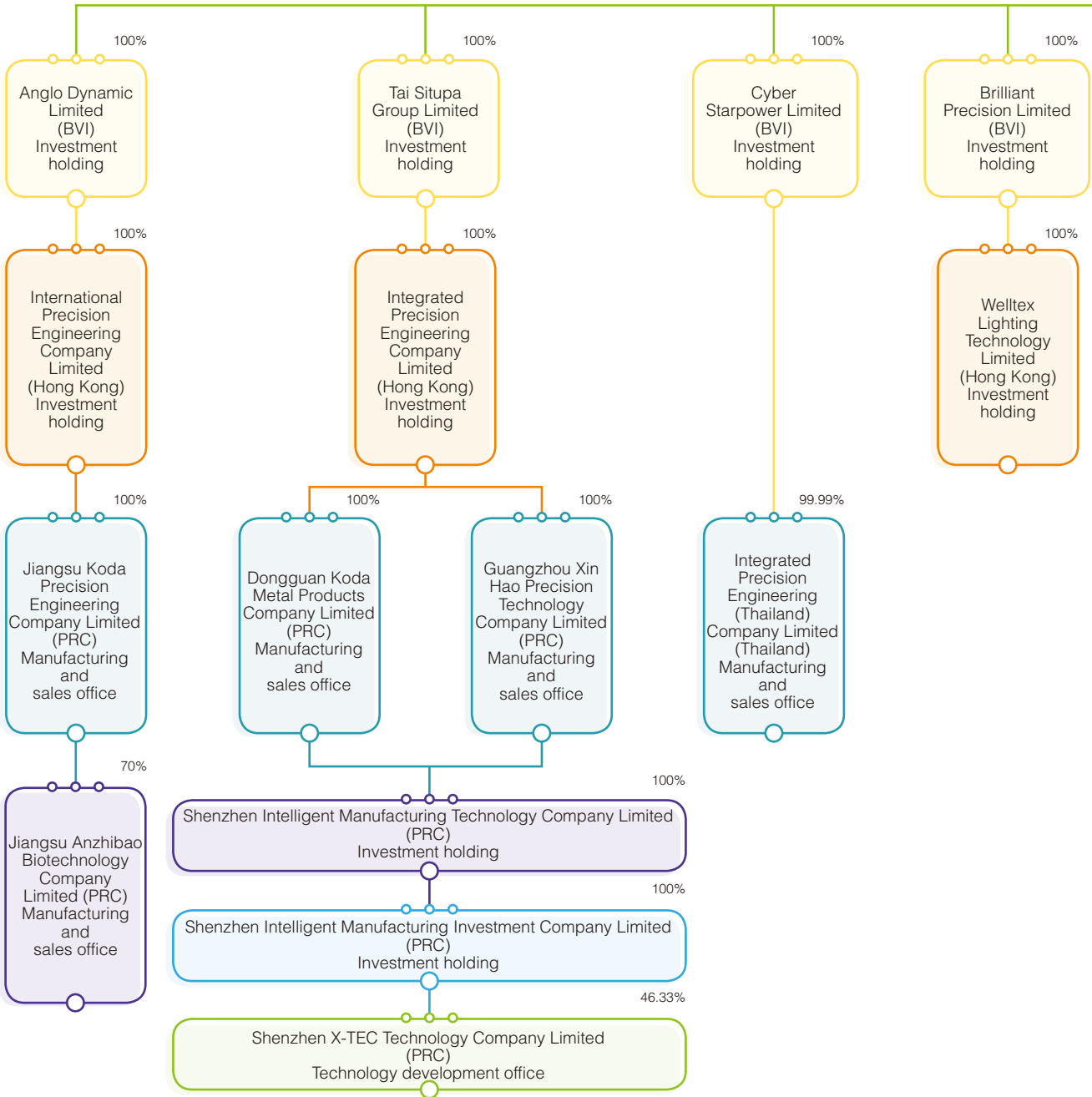
The Group’s highly valued customers are top-tier multinational corporations in the information technology, fluid power, automotive and electronic sectors where optimal precision is vital. Apart from supplying high volume precision components according to customer specifications, we are providing solutions to our global partners and working very closely with them in implementing new projects. Such projects typically take longer time to come to fruition as they involve development of many metal and plastic parts, and electronic circuits and the necessary know-how in final assembly and testing of the assembled device before shipment to the end customers can take place. The Group has developed a team of high caliber engineers which are able to provide solutions to our global partners.

CORPORATE MILESTONE



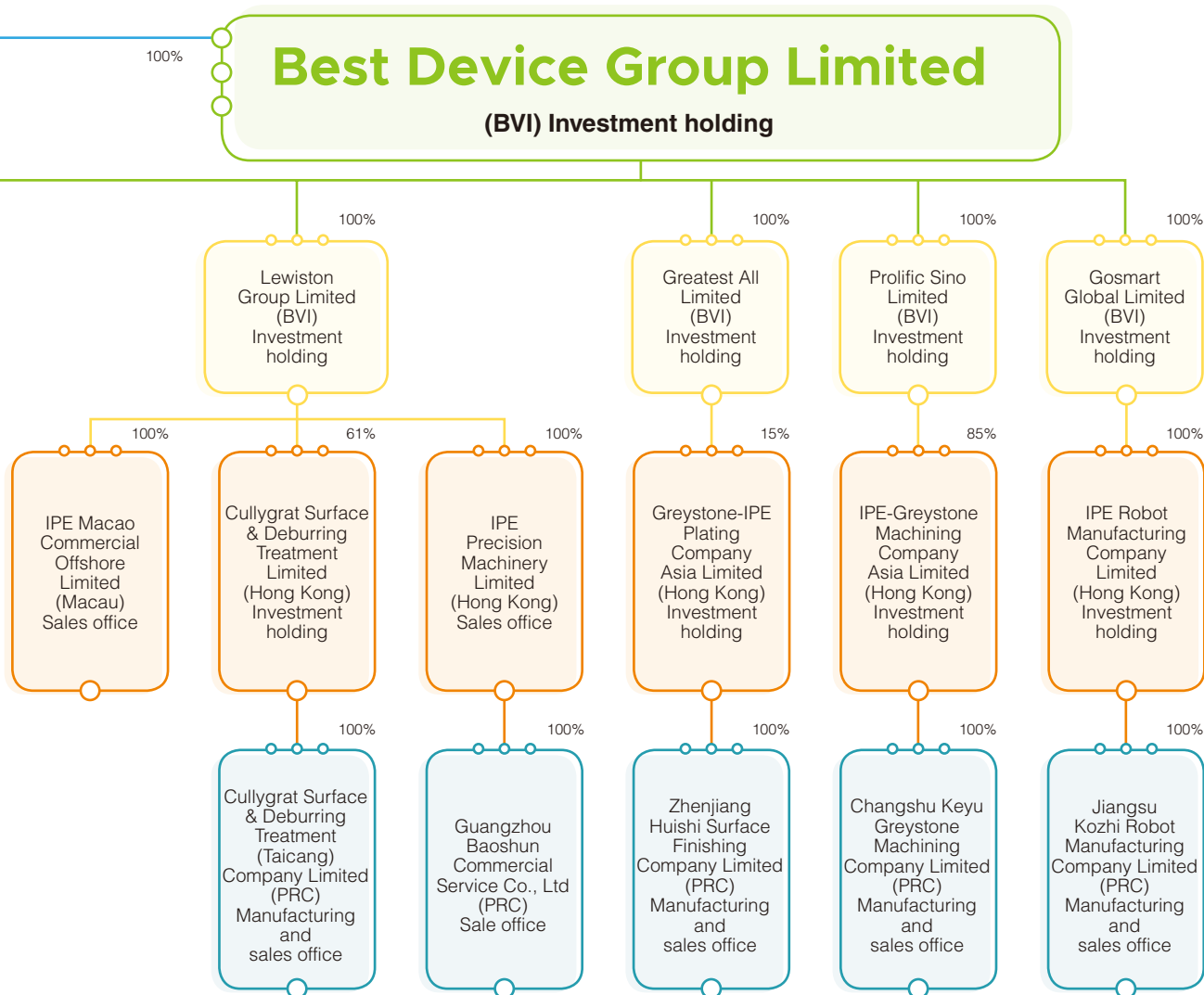
GROUP STRUCTURE

Principal subsidiaries and associate of the Company as at 30 June 2021



GROUP STRUCTURE

Principal subsidiaries and associate of the Company as at 30 June 2021



FINANCIAL HIGHLIGHTS

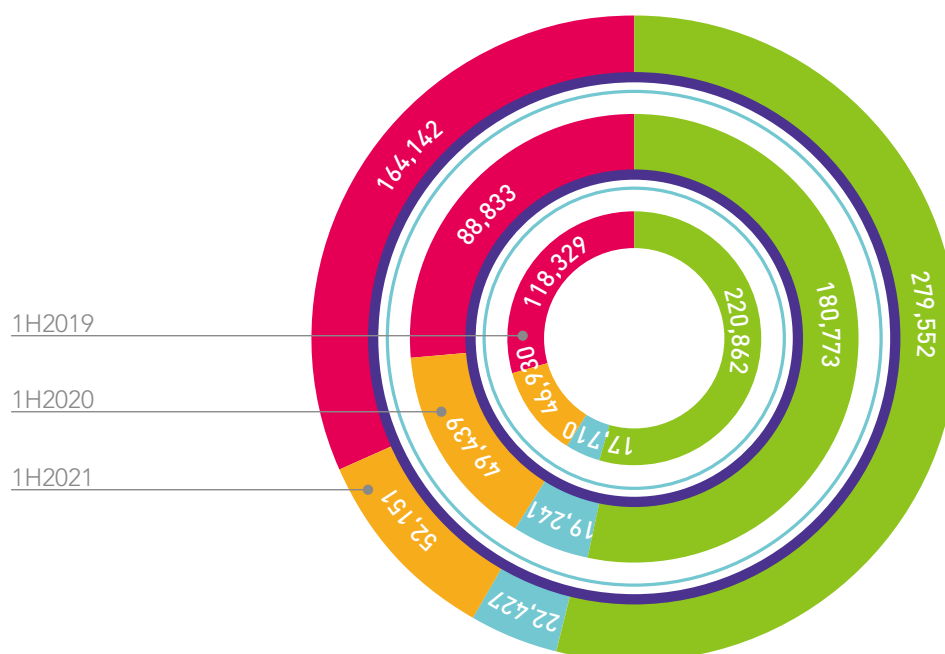
RATIO ANALYSIS

	30 June 2021	Year ended 31 December				
		2020	2019	2018	2017	2016
KEY STATISTICS						
Current ratio	3.84	6.42	7.93	2.59	3.30	3.48
Net cash to equity ratio	0.34	0.38	0.34	0.24	0.24	0.29
Dividend payout ratio	N/A	N/A	13.1%	11.2%	34.9%	43.0%
Gross profit margin	25.0%	23.0%	22.3%	30.8%	34.4%	30.8%
Net profit margin	6.2%	4.0%	5.1%	9.0%	12.2%	12.9%
Average days of debtor turnover	97 days	115 days	110 days	103 days	94 days	93 days
Average days of inventories turnover	116 days	138 days	153 days	143 days	122 days	126 days
PER SHARE DATA (HK\$)						
Net asset value per share	1.84	1.79	1.63	1.61	1.62	1.42
Cash per shares	0.79	0.88	0.81	0.80	0.87	0.91

BUSINESS SEGMENTS

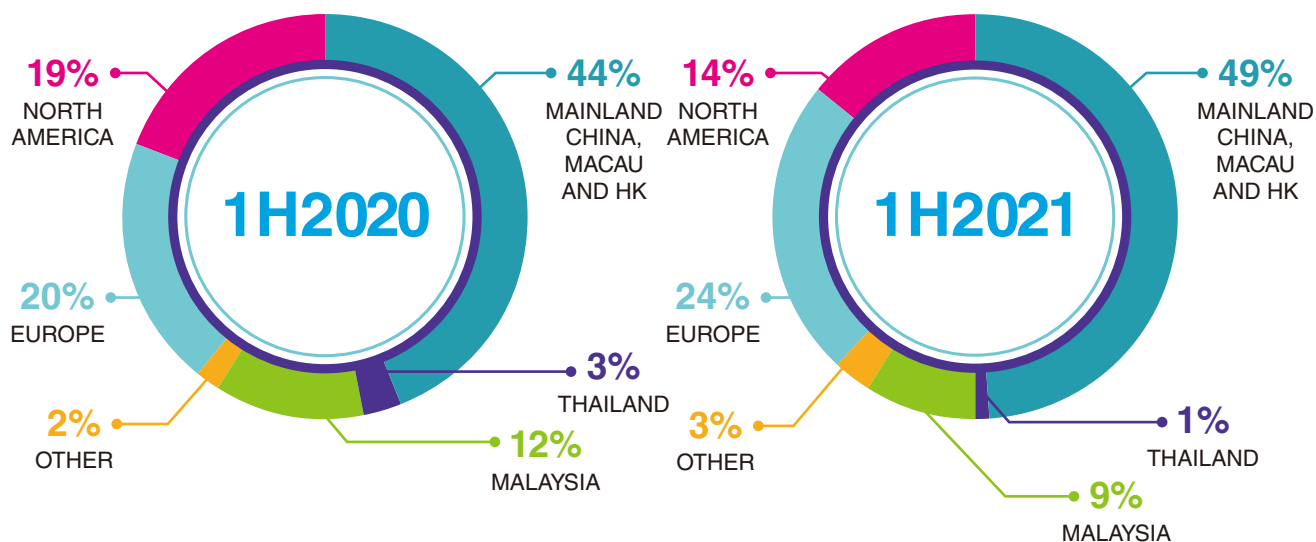
HK\$'000

■ AUTOMOTIVE ■ OTHERS
■ ELECTRONIC EQUIPMENT ■ HYDRAULIC

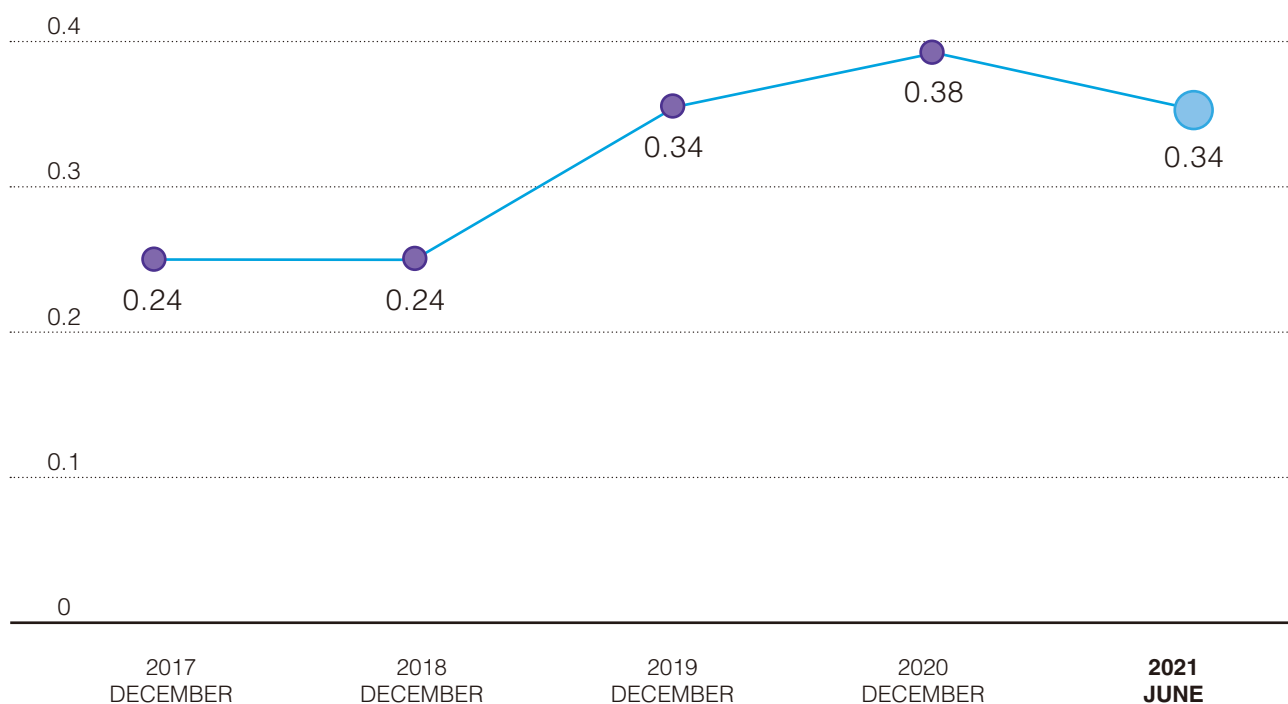


FINANCIAL HIGHLIGHTS

GEOGRAPHICAL COMBINATION



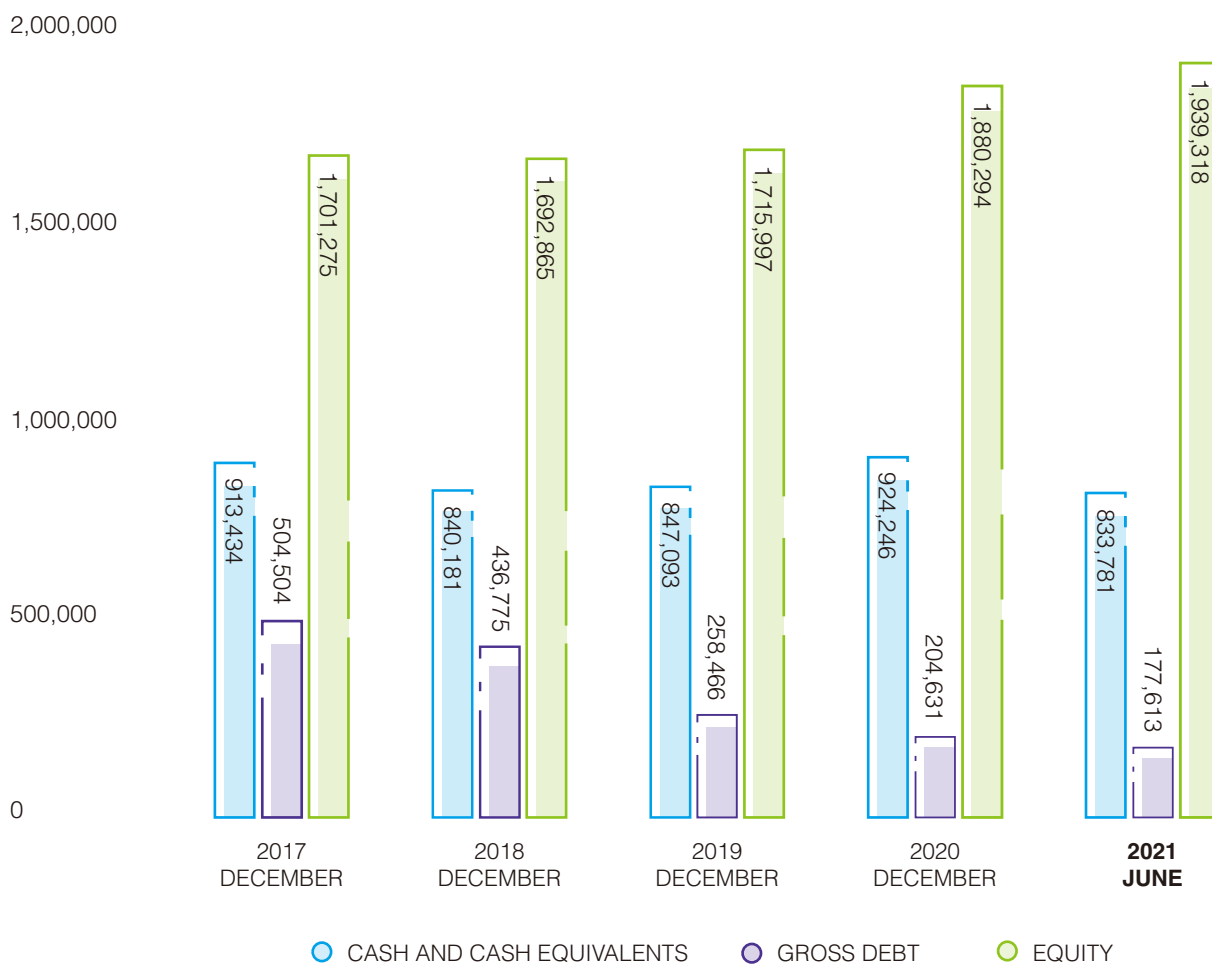
NET CASH TO EQUITY RATIO



FINANCIAL HIGHLIGHTS

CASH AND CASH EQUIVALENTS, GROSS DEBT AND EQUITY

(HK\$'000)



MANAGEMENT DISCUSSION AND ANALYSIS

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	279,552	54.0	180,773	53.4	+54.7
Hydraulic equipment components	164,142	31.7	88,833	26.3	+84.8
Electronic equipment components	52,151	10.0	49,439	14.6	+5.5
Others	22,427	4.3	19,241	5.7	+16.6
	518,272	100.0	338,286	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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

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\$0.05 or approximately 2.8% as compared to HK\$1.79 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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Investment properties and other property, plant and equipment	11	844,842	792,729
Interest in an associate		–	896
Goodwill		9,072	–
Intangible assets		9,738	–
Deposits for purchase of non-current assets		9,069	11,261
Deferred tax assets		13,615	13,621
		886,336	818,507
CURRENT ASSETS			
Inventories	12	272,899	219,173
Trade receivables	13	280,962	272,461
Prepayments, deposit and other receivables		73,801	40,898
Financial assets		2,657	–
Pledged and restricted cash	14	2,519	3,672
Cash and bank balances	14	833,781	924,246
		1,466,619	1,460,450
CURRENT LIABILITIES			
Trade payables	15	120,566	91,495
Other payables and accruals		70,252	61,229
Lease liabilities		1,161	1,123
Contract liabilities		–	624
Tax payables		11,663	19,325
Bank loans	17	177,613	53,769
		381,255	227,565
NET CURRENT ASSETS		1,085,364	1,232,885
TOTAL ASSETS LESS CURRENT LIABILITIES		1,971,700	2,051,392

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank loans	17	–	150,862
Lease liabilities		273	366
Deferred tax liabilities		21,686	17,395
Other payables		10,423	2,475
Total non-current liabilities		32,382	171,098
Net assets		1,939,318	1,880,294
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	16	105,225	105,225
Reserves		1,816,882	1,775,720
		1,922,107	1,880,945
Non-controlling interests		17,211	(651)
Total equity		1,939,318	1,880,294

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

(Unaudited)	Attributable to owners of the Company												
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Statutory						Exchange fluctuation reserves HK\$'000	Retained profit HK\$'000	Non-controlling interest HK\$'000	Total equity 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				
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	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	1,939,318
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	105,225	472,201	15,880	51,924	287	7,905	27,805	-	18,214	956,320	1,655,761	(1,619)	1,654,142

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

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 2021 and 2020 is set out below.

	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 2020 (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	8,970	40,469	149,497	63,963	67,484	7,903	338,286
Inter-segment revenue	5,502	–	–	–	–	–	5,502
Reportable segment revenue	14,472	40,469	149,497	63,963	67,484	7,903	343,788
Reportable segment profit							
Gross profit	1,857	8,378	30,947	13,241	13,970	1,636	70,029

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

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
Revenue recognised at a point in time		
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
	518,272	338,286
Other income		
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
	20,047	9,027
Gains		
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
	21,748	16,434

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

6. FINANCE COST

An analysis of finance costs is as follows:

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

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
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

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

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	11,188	1,336

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

9. EARNINGS PER SHARE (Continued)

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
Earnings		
Profit attributable to equity shareholders of the Company used in the basic earnings per share calculation	30,201	2,645
	<hr/>	
	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 2021 (2020: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

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 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
At 30 June 2021	78,573	4,410	746,445	20,077	1,657,557	105,042	16,433	13,598	129,271	2,771,406
Accumulated depreciation										
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
At 30 June 2021	5,260	2,794	370,864	18,193	1,435,676	82,091	11,686	-	-	1,926,564
Net carrying amount										
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)
At 30 June 2021	73,313	1,616	375,581	1,884	221,881	22,951	4,747	13,598	129,271	844,842
Net carrying amount										
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)
At 31 December 2020	65,067	1,483	360,494	2,668	196,578	20,417	4,405	13,535	128,082	792,729

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

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	122,168	101,266
	367,598	297,440
Less: Provision against inventory obsolescence	94,699	78,267
	272,899	219,173

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	3,887	258
	281,529	273,028
Less: impairment	567	567
	280,962	272,461

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

14. CASH AND BANK BALANCES

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

15. TRADE PAYABLES

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
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	10,654	6,271
	120,566	91,495

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

16. SHARE CAPITAL

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 December 2020: 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 2020: 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 2021 and year ended 31 December 2020.

17. BANK LOANS

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Unsecured bank loan — note	177,613	204,631

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

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within 1 year or on demand	177,613	53,769
After 1 year but within 2 years	—	150,862
	177,613	204,631

Note:

At 30 June 2021 and 31 December 2020, 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 2021, none of the covenants relating to drawn down facilities had been breached (2020: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENT

Six months ended 30 June 2021

18. CAPITAL COMMITMENTS

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

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

19. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Short term employee benefits	3,374	4,180
Equity-settled share option expense	1,520	2,519
Post-employment benefits	286	36
Total compensation paid to key management personnel	5,180	6,735

20. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 23 August 2021.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests and short positions of the directors, in the share capital and underlying shares of the Company (within the meaning of Part XV of the Securities and 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") as set out in Appendix 10 to the Listing Rules, were as follows:

(A) Long positions in the underlying shares of the Company – physically settled unlisted equity derivatives:

Name of director	Capacity and nature of business	Number of underlying shares in respect of the share options granted	Percentage of underlying shares over the Company's issued share capital at 30 June 2021
Mr. Zeng Guangsheng	Directly beneficially owned	42,000,000	3.99%
Mr. Ng Hoi Ping	Directly beneficially owned	20,000,000	1.90%
Ms. Zeng Jing	Directly beneficially owned	13,000,000	1.24%
Mr. Chen Kuangguo	Directly beneficially owned	5,000,000	0.48%

Details of the above share options granted by the Company are set out in the section headed "Share option scheme" below.

(B) Long positions in the ordinary shares of 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 2021, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

AS at 30 June 2021, 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 the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of substantial shareholder	Notes	Capacity and nature of interests	Number of ordinary shares in the Company	Percentage of the Company's issued share capital at 30 June 2021*
Baoan Technology Company Limited 寶安科技有限公司 ("Baoan Technology")		Directly beneficially owned	565,606,250	53.75%
China Baoan Group Co., Ltd. 中國寶安集團股份有限公司 ("China Baoan Group")	(a)	Through controlled corporation	565,606,250	53.75%
Tottenham Limited		Directly beneficially owned	167,966,975	15.96%
Mr. Chui Siu On	(b)	Through controlled corporation	167,966,975	15.96%
		Directly beneficially owned	14,576,250	1.39%
	(c)	Through spouse	125,000	0.01%
		Total:	182,668,225	17.36%
Ms. Leung Wing Yi		Directly beneficially owned	125,000	0.01%
	(d)	Through spouse	182,543,225	17.35%
		Total:	182,668,225	17.36%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2021.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (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 565,606,250 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 167,966,975 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 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 of the Company owned by her husband pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2021, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares and underlying shares" 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.

OTHER INFORMATION

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 17 May 2011, the shareholders of the Company passed an ordinary resolution to approve the adoption of a share option scheme. The Company operates the share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 June 2021:

Name or category of participant	Number of share options					At 30 June 2021	Date of grant of share options	Exercised period of share options	Exercise price of share option ⁽³⁾ HK\$ per share
	At 1 January 2021	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period				
Directors									
Mr. Zeng Guangsheng ⁽⁴⁾	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	-	-	(1,300,000)	-	11,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
	-	2,700,000	-	-	-	2,700,000	10/05/2021 ⁽¹⁾⁽²⁾	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	14,300,000	2,700,000	-	(1,300,000)	-	15,700,000			
Total	94,300,000	2,700,000	-	(1,300,000)	-	95,700,000			

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\$0.69 per share. The fair value of the options granted on 10 May 2021 was determined at the date of grant using the binomial option pricing model and was approximately HK\$0.4 million.
- (2) The vesting period of the share options is from the date of grant to 28 February 2026, 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 in April 2020, which exceeded the individual limit, was approved by the independent shareholders at the Company's annual general meeting held on 12 June 2020, pursuant to the Listing Rules.

OTHER INFORMATION

SHARE OPTION SCHEME (Continued)

Pursuant to Rule 17.08 of the Listing Rules, the number and fair value of the share options granted on 3 April 2020 and on 10 May 2021 to different classes of grantees are summarized as follows:

Classes of grantees	Number of options granted	Fair value (HK\$)
Directors	40,000,000	8,444,400
Employees	12,300,000	2,544,747
Supplier	2,000,000	413,780
Total	54,300,000	11,402,927

Among the above, 2,000,000 options were granted to a supplier named Mr. Chui Chi Kuen who provided public relation services with local authorities to the Group. The term of the service agreement with the aforesaid supplier is from 1 January 2021 to 31 December 2021 which may be renewed by the parties upon expiry. The consulting fee payable by the Company to the supplier is HK\$55,000 per month. The management of the Company considers that as the principal operation and manufacturing activities of the Group are based in the PRC, it is in the interest of the Group to develop and maintain close relationship with local authorities, and that the options were granted as an incentive for such supplier to provide ongoing service to the Group and to maintain a long-term relationship with them so that the Group can maintain a streamline operation with stability. The terms of the options granted to the supplier are the same as the terms of those options granted to other directors and employees on 3 April 2020.

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 (30 June 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.

OTHER INFORMATION

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.

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 "Model 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 2021.

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)

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of a director of the Company is set out below:

In June 2021, Mr. Cheung Chun Yue Anthony, an independent non-executive director of the Company, joined Polymer Capital Management (HK) Limited as Managing Director in ESG.

OTHER INFORMATION

GENERAL DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

The Group entered into a loan agreement containing covenants relating to specific performance of the controlling shareholder of the Company which was subject to announcement requirement under Rule 13.18 of the Listing Rules and disclosure requirement in this interim Report under Rule 13.21 of the Listing Rules, the details of which is summarized below and further details can be referred to the Company's announcement dated 8 May 2019.

Pursuant to the term of a loan facility agreement (the "Facility Agreement") dated 8 May 2019 and entered into, among other parties, Integrated Precision Engineering Company Limited (a wholly-owned subsidiary of the Company) as borrower (the "Borrower"), the Company and fourteen of its subsidiaries as guarantors (together the "Guarantors"), Nanyang Commercial Bank, limited as coordinator, agent and security trustee, and various financial institutions as original lenders, a term loan facility of HK\$275 million (the "Facility Loan", which may be increased to not more than HK\$400 million as a result of the Lender Accession as defined in the Facility Agreement) is made available to the Borrower for refinancing all the amounts owing under an existing indebtedness due under the term loan facility made available to the Group in 2016 and financing the general corporate requirements of the Borrower. The Facility Loan is repayable in 11 quarterly instalments.

As common with other syndicated loan facilities, the facility Agreement provides that if the Company has failed to ensure that China Baoan Group shall (1) remain the single largest ultimate beneficial owner of the Company; (2) beneficially own, directly or indirectly, not less than 50.1% of the shareholding interest in the Company; or (3) control the Company (i.e. has the power to exercise or control the exercise of 50% or more the voting power at general meetings of the Company, or to control the composition of the majority of the Board, whether through the ownership of voting capital, by contract or otherwise), it may be one of the events of default under the Facility Agreement, in which event all or any part of the commitments under the Facility Loan may be canceled and all amounts outstanding under the Facility Loan may immediately become due and payable.

APPRECIATION

The Board would like to take this opportunity to thank our shareholders for their continued support and the fellow directors and our staff for their contributions to the Group.

By order of the Board

Zeng Guangsheng

Chairman

Hong Kong, 23 August 2021

