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IPE GROUP LIMITED
國際精密集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 929)

**(1) ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**
**(2) PROPOSED AMENDMENTS TO THE MEMORANDUM AND
ARTICLES OF ASSOCIATION**
(3) PROPOSED ADOPTION OF CHINESE NAME

FINANCIAL HIGHLIGHTS

1. Revenue for the year decreased by 6.6% to HK\$962.6 million (2021: HK\$1,030.8 million).
2. Gross profit margin for the year was 28.5% (2021: 25.9%).
3. Profit for the year decreased by 69.5% to HK\$27.7 million (2021: HK\$90.7 million).
4. Basic earnings per share for the year was HK0.83 cents (2021: HK7.74 cents).
5. Net asset value per share as at 31 December 2022 was HK\$1.82 (2021: HK\$1.96).
6. The Group was in a net cash position (i.e. cash and bank balances less total borrowings) as at 31 December 2022 in the amount of HK\$555.4 million or equivalent to HK52.79 cents per share (2021: HK\$692.0 million or HK65.77 cents per share).
7. The Board does not recommend the payment of a final dividend for the year (2021: Nil).

* For identification purposes only

The board of directors (the “**Board**”) of IPE Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022, together with the comparative results for the previous year:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	962,566	1,030,808
Cost of sales		<u>(688,379)</u>	<u>(763,995)</u>
Gross profit		274,187	266,813
Other income	4	45,606	63,290
Changes in fair value of investment properties		4,775	10,847
Provision for/(Reversal of) impairment losses related to receivables		(538)	1,870
Distribution costs		(26,178)	(25,618)
Administrative expenses and other expenses		(183,874)	(146,974)
Research and development costs		<u>(68,966)</u>	<u>(47,153)</u>
Profit from operations		45,012	123,075
Finance costs	5(a)	(6,832)	(4,677)
Share of loss of an associate		<u>(822)</u>	<u>(815)</u>
Profit before taxation	5	37,358	117,583
Income tax	6	<u>(9,617)</u>	<u>(26,837)</u>
Profit for the year		<u>27,741</u>	<u>90,746</u>
Attributable to:			
Equity shareholders of the Company		8,693	81,432
Non-controlling interests		<u>19,048</u>	<u>9,314</u>
Profit for the year		<u>27,741</u>	<u>90,746</u>
Earnings per share			
Basic and diluted	7	<u>HK0.83 cents</u>	<u>HK7.74 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	27,741	90,746
Other comprehensive (loss)/income for the year (after tax adjustment)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of foreign operations	<u>(195,145)</u>	<u>37,875</u>
Total comprehensive (loss)/income for the year	<u>(167,404)</u>	<u>128,621</u>
Attributable to:		
Equity shareholders of the Company	(181,227)	118,620
Non-controlling interests	<u>13,823</u>	<u>10,001</u>
Total comprehensive (loss)/income for the year	<u>(167,404)</u>	<u>128,621</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties	9	135,132	142,631
Property, plant and equipment	9	698,031	730,044
Intangible assets	10	4,288	6,456
Goodwill	11	10,196	11,618
Interest in an associate		2,903	3,725
Deposits for purchase of property, plant and equipment		1,267	11,362
Deferred tax assets		22,723	24,706
		<hr/> 874,540	<hr/> 930,542
Current assets			
Financial assets measured at fair value through profit or loss		17,511	10,194
Inventories	12	325,574	316,004
Trade and other receivables	13	367,563	356,812
Pledged and restricted deposits		22,239	2,427
Cash and cash equivalents		729,058	840,383
		<hr/> 1,461,945	<hr/> 1,525,820
Current liabilities			
Trade and other payables	14	185,911	183,109
Contract liabilities		–	4,296
Bank and other loans		45,849	150,795
Lease liabilities		1,031	250
Deferred income		702	2,367
Tax payable		15,591	21,691
		<hr/> 249,084	<hr/> 362,508
Net current assets		<hr/> 1,212,861	<hr/> 1,163,312
Total assets less current liabilities		<hr/> 2,087,401	<hr/> 2,093,854

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2022*

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities			
Bank and other loans		150,000	–
Lease liabilities		1,899	–
Other payables	<i>14</i>	2,751	2,238
Deferred income		1,285	2,039
Deferred tax liabilities		19,380	28,277
		<u>175,315</u>	<u>32,554</u>
NET ASSETS		<u>1,912,086</u>	<u>2,061,300</u>
CAPITAL AND RESERVES			
Share capital		105,225	105,225
Reserves		1,735,189	1,901,121
Total equity attributable to equity shareholders of the Company		1,840,414	2,006,346
Non-controlling interests		71,672	54,954
TOTAL EQUITY		<u>1,912,086</u>	<u>2,061,300</u>

NOTES

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. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal places of business of the Company in Hong Kong, the People's Republic of China (the "**PRC**") and Thailand are Unit 5-6, 23/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong, No. 8 Zhuzian Road, Yue Hu Cun, Zengcheng, Guangzhou, Guangdong Province, the PRC and 99/1 Mu Phaholyothin Road, Sanubtueb, Wangnoi, Ayutthaya 13170, Thailand respectively.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing and sale of high precision metal components products. There were no significant changes in the nature of the Group's principal activities during the year.

At 31 December 2022, the directors of the Company consider the immediate parent of the Group to be Baoan Technology Company Limited, a company incorporated in Hong Kong while the ultimate controlling party of the Group to be China Baoan Group Co., Ltd., a company incorporated in the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed in note 1 to the consolidated financial statements.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

These consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group's interest in an associate.

These consolidated financial statements are presented in Hong Kong Dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment properties; and
- other investments in equity securities.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 2 to the consolidated financial statements.

(c) **Changes in accounting policies**

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these consolidated financial statements for the current accounting period:

Amendments to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

The amendments have no material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in these consolidated financial statements.

3. REVENUE AND SEGMENT REPORTING

(a) **Revenue**

The principal activities of the Group are the manufacturing and sale of precision components products. Further details regarding the Group's principal activities are disclosed in note 3(b).

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of automotive components	458,334	510,900
Sales of hydraulic equipment components	394,296	361,669
Sales of electronic equipment components	91,151	113,009
Others	<u>18,785</u>	<u>45,230</u>
Total	<u>962,566</u>	<u>1,030,808</u>

The Group's customer base is diversified and does not include any individual customer (2021: Nil) with whom transactions have exceeded 10% of the Group's revenue.

(b) Segment reporting

(i) Segment results

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:

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below.

	2022						
	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	8,039	83,959	461,196	171,528	206,420	31,424	962,566
Inter-segment revenue	29,555	-	-	-	-	-	29,555
Reportable segment revenue	37,594	83,959	461,196	171,528	206,420	31,424	992,121
Reportable segment profit							
Gross profit	<u>2,290</u>	<u>23,915</u>	<u>131,372</u>	<u>48,860</u>	<u>58,799</u>	<u>8,951</u>	<u>274,187</u>
	2021						
	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	12,263	96,384	512,131	147,211	235,386	27,433	1,030,808
Inter-segment revenue	19,789	-	-	-	-	-	19,789
Reportable segment revenue	32,052	96,384	512,131	147,211	235,386	27,433	1,050,597
Reportable segment profit							
Gross profit	<u>3,233</u>	<u>25,413</u>	<u>130,058</u>	<u>38,814</u>	<u>62,062</u>	<u>7,233</u>	<u>266,813</u>

(ii) *Geographic information*

The geographical location of customers is based on the location at which the goods delivered, and the Group's revenue from external customers were disclosed in note 3(b)(i).

The following table sets out information about the geographical location of the Group's investment properties, other property, plant and equipment, intangible assets, goodwill and deposits for purchase of property, plant and equipment ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in an associate.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mainland China	761,773	812,731
Hong Kong and Macau	61,796	63,285
Thailand	25,345	29,820
	<u>848,914</u>	<u>905,836</u>

4. **OTHER INCOME**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of interest in an associate	–	21,384
Government grants	8,204	16,414
Interest income	13,881	14,709
Net gain on disposal of other property, plant and equipment	2,195	2,337
Net realised gain on trading of securities	–	1,905
Dividend income	1,540	1,176
Changes in fair value of securities	–	499
Net exchange gain	11,597	–
Rental income from investment properties	2,213	790
Sale of scrap materials	1,677	1,209
Others	4,299	2,867
	<u>45,606</u>	<u>63,290</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank loans	5,379	2,941
Financial arrangement fees	1,345	1,705
Interest on lease liabilities	108	31
	<u>6,832</u>	<u>4,677</u>

(b) Staff costs

Salaries, wages and other benefits	287,645	296,044
Contributions to defined contribution retirement plan	13,307	13,876
Equity settled share-based payment expenses	15,295	2,542
	<u>316,247</u>	<u>312,462</u>

(c) Other items

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories	688,379	763,995
Depreciation		
– owned property, plant and equipment	90,170	89,012
– right-of-use assets	608	1,287
Amortisation of intangible assets (included in administrative expenses)	1,418	979
Amortisation of leasehold land	2,136	2,211
Lease payments not included in the measurement of lease liabilities	128	128
Net foreign exchange loss	–	2,450
Research and development costs	68,966	47,153
Auditor's remuneration		
– audit services	1,200	2,231
– other services	484	453
Gain on disposal of items of other property, plant and equipment	(2,195)	(2,337)
Direct operating expenses arising from investment properties that generated rental income	<u>64</u>	<u>66</u>

6. INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
<i>Hong Kong Profits Tax</i>		
Provision for current income tax	1,000	8,087
<i>PRC corporate income tax</i>		
Provision for current income tax	14,052	19,423
Under-provision in prior years	<u>376</u>	<u>853</u>
	<u>14,428</u>	<u>20,276</u>
<i>Thailand's income tax</i>		
Provision for current income tax	1,713	330
Under-provision in prior years	<u>1,049</u>	<u>–</u>
	<u>2,762</u>	<u>330</u>
	<u>18,190</u>	<u>28,693</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(8,573)</u>	<u>(1,856)</u>
	<u>9,617</u>	<u>26,837</u>

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$8,693,000 (2021: HK\$81,432,000) and the weighted average of 1,052,254,000 ordinary shares (2021: 1,052,254,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for years ended 31 December 2022 and 2021 were the same as the basic earnings per share.

At 31 December 2022, 105,700,000 (2021: 95,700,000) share options were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices of the Company's shares for the period during which the options were outstanding.

8. DIVIDEND

The Board does not recommend the payment of a final dividend for in respect of the year ended 31 December 2022 (2021: Nil).

9. 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 buildings 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 or valuation:										
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
Representing										
Cost	69,025	4,082	719,204	19,935	1,610,108	98,817	15,275	13,535	-	2,549,981
Valuation-2021	-	-	-	-	-	-	-	-	128,082	128,082
	<u>69,025</u>	<u>4,082</u>	<u>719,204</u>	<u>19,935</u>	<u>1,610,108</u>	<u>98,817</u>	<u>15,275</u>	<u>13,535</u>	<u>128,082</u>	<u>2,678,063</u>
Additions	-	-	20,548	-	77,990	10,693	1,298	583	-	111,112
Transfer from construction in progress	-	-	7,265	-	-	-	-	(7,265)	-	-
Addition through acquisition of a subsidiary	9,127	-	20,182	-	23,455	621	401	172	-	53,958
Disposals	-	-	(70)	-	(52,235)	(864)	(2,845)	-	-	(56,014)
Fair value adjustment	-	-	-	-	-	-	-	-	10,847	10,847
Exchange adjustment	1,906	117	10,295	421	18,612	2,880	225	433	3,702	38,591
	<u>80,058</u>	<u>4,199</u>	<u>777,424</u>	<u>20,356</u>	<u>1,677,930</u>	<u>112,147</u>	<u>14,354</u>	<u>7,458</u>	<u>142,631</u>	<u>2,836,557</u>
At 31 December 2021	80,058	4,199	777,424	20,356	1,677,930	112,147	14,354	7,458	142,631	2,836,557
Representing										
Cost	80,058	4,199	777,424	20,356	1,677,930	112,147	14,354	7,458	-	2,693,926
Valuation-2021	-	-	-	-	-	-	-	-	142,631	142,631
	<u>80,058</u>	<u>4,199</u>	<u>777,424</u>	<u>20,356</u>	<u>1,677,930</u>	<u>112,147</u>	<u>14,354</u>	<u>7,458</u>	<u>142,631</u>	<u>2,836,557</u>
Additions	910	3,243	27,028	-	43,867	21,450	987	4,726	-	102,211
Transfer from inventories	-	-	-	-	19,600	-	-	-	-	19,600
Disposals	-	-	-	(1,486)	(53,942)	(6,589)	(768)	(759)	-	(63,544)
Fair value adjustment	-	-	-	-	-	-	-	-	4,775	4,775
Exchange adjustment	(8,514)	-	(56,193)	(1,268)	(138,717)	(9,687)	(958)	(781)	(12,274)	(228,392)
	<u>72,454</u>	<u>7,442</u>	<u>748,259</u>	<u>17,602</u>	<u>1,548,738</u>	<u>117,321</u>	<u>13,615</u>	<u>10,644</u>	<u>135,132</u>	<u>2,671,207</u>
At 31 December 2022	72,454	7,442	748,259	17,602	1,548,738	117,321	13,615	10,644	135,132	2,671,207
Representing										
Cost	72,454	7,442	748,259	17,602	1,548,738	117,321	13,615	10,644	-	2,536,075
Valuation-2022	-	-	-	-	-	-	-	-	135,132	135,132
	<u>72,454</u>	<u>7,442</u>	<u>748,259</u>	<u>17,602</u>	<u>1,548,738</u>	<u>117,321</u>	<u>13,615</u>	<u>10,644</u>	<u>135,132</u>	<u>2,671,207</u>
Accumulated depreciation:										
At 1 January 2021	(3,958)	(2,599)	(358,710)	(17,267)	(1,413,530)	(78,400)	(10,870)	-	-	(1,885,334)
Charge for the year	(2,211)	(1,287)	(25,019)	(1,341)	(52,945)	(8,059)	(1,648)	-	-	(92,510)
Addition through acquisition of a subsidiary	(484)	-	(5,381)	-	(9,528)	(468)	-	-	-	(15,861)
Written back on disposals	-	-	55	-	47,603	695	2,658	-	-	51,011
Exchange adjustment	(109)	(73)	(4,488)	(408)	(14,341)	(1,622)	(147)	-	-	(21,188)
	<u>(6,762)</u>	<u>(3,959)</u>	<u>(393,543)</u>	<u>(19,016)</u>	<u>(1,442,741)</u>	<u>(87,854)</u>	<u>(10,007)</u>	<u>-</u>	<u>-</u>	<u>(1,963,882)</u>
At 31 December 2021	(6,762)	(3,959)	(393,543)	(19,016)	(1,442,741)	(87,854)	(10,007)	-	-	(1,963,882)
Charge for the year	(2,136)	(608)	(23,749)	(826)	(55,275)	(8,850)	(1,470)	-	-	(92,914)
Written back on disposals	-	-	-	1,486	51,385	5,683	749	-	-	59,303
Exchange adjustment	661	(90)	29,818	1,040	120,749	6,630	641	-	-	159,449
	<u>(8,237)</u>	<u>(4,657)</u>	<u>(387,474)</u>	<u>(17,316)</u>	<u>(1,325,882)</u>	<u>(84,391)</u>	<u>(10,087)</u>	<u>-</u>	<u>-</u>	<u>(1,838,044)</u>
At 31 December 2022	(8,237)	(4,657)	(387,474)	(17,316)	(1,325,882)	(84,391)	(10,087)	-	-	(1,838,044)
Net book value:										
At 31 December 2022	<u>64,217</u>	<u>2,785</u>	<u>360,785</u>	<u>286</u>	<u>222,856</u>	<u>32,930</u>	<u>3,528</u>	<u>10,644</u>	<u>135,132</u>	<u>833,163</u>
At 31 December 2021	<u>73,296</u>	<u>240</u>	<u>383,881</u>	<u>1,340</u>	<u>235,189</u>	<u>24,293</u>	<u>4,347</u>	<u>7,458</u>	<u>142,631</u>	<u>872,675</u>

10. INTANGIBLE ASSETS

	<i>Patents</i> <i>HK\$'000</i>
At 31 December 2020	–
Addition through acquisition of a subsidiary	7,310
Exchange adjustment	<u>139</u>
At 31 December 2021 and 1 January 2022	7,449
Exchange adjustment	<u>(629)</u>
At 31 December 2022	<u><u>6,820</u></u>
Accumulated amortisation:	
At 31 December 2020	–
Charge for the year	(979)
Exchange adjustment	<u>(14)</u>
At 31 December 2021 and 1 January 2022	(993)
Charge for the year	(1,418)
Exchange adjustment	<u>(121)</u>
At 31 December 2022	<u><u>(2,532)</u></u>
Net book value:	
At 31 December 2022	<u><u>4,288</u></u>
At 31 December 2021	<u><u>6,456</u></u>

11. GOODWILL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost and carrying amount		
At 1 January	11,618	–
At date of acquisition	–	11,402
Exchange adjustment	<u>(1,422)</u>	<u>216</u>
At 31 December	<u>10,196</u>	<u>11,618</u>

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units identified according to country of operation and operating segment as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Jiangsu Kemai Hydraulic Control System Company Limited ("Jiangsu Kemai")	<u>10,196</u>	<u>11,618</u>

The recoverable amount of the Jiangsu Kemai is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted sales growth rate of the five-year period is 3% (2021: 3%). Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated sales growth rate of 2% (2021: 3%), which was estimated on the basis of the long-term inflation rate in the PRC. It is a commonly used valuation assumption that the long-term growth rate of a company will converge with the long-term inflation rate of the PRC. The cash flows are discounted using a discount rate of 13.3% (2021: 13.3%). The discount rates used are pre-tax and reflect specific risks relating to the Jiangsu Kemai.

12. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	95,256	76,945
Consumables	20,694	16,598
Work in progress	81,231	107,014
Finished goods	<u>128,393</u>	<u>115,447</u>
	<u><u>325,574</u></u>	<u><u>316,004</u></u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Carrying amount of inventories sold	684,068	754,598
Write-down of inventories	<u>4,311</u>	<u>9,397</u>
Cost of inventories	<u><u>688,379</u></u>	<u><u>763,995</u></u>

13. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade debtors, net of loss allowance	268,226	275,049
Bills receivables	33,131	29,354
Other debtors, net of loss allowance	<u>18,706</u>	<u>21,114</u>
Financial assets measured at amortised cost	320,063	325,517
Deposits and prepayments	37,940	21,169
Deductible input value added taxes	<u>9,560</u>	<u>10,126</u>
	<u><u>367,563</u></u>	<u><u>356,812</u></u>

All of trade and other receivables are expected to be recovered or recognised as expense within one year. The Group does not hold any collaterals over the trade and other receivables as at 31 December 2022 (2021: Nil).

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade debtors and bills receivables), based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	89,393	126,989
1 to 2 months	72,041	79,760
2 to 3 months	63,950	57,883
3 to 4 months	39,120	26,948
4 to 12 months	<u>36,853</u>	<u>12,823</u>
	<u><u>301,357</u></u>	<u><u>304,403</u></u>

Trade debtors are due within 60 to 120 days from the date of billing.

14. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bills payable	–	3,785
Trade payables	101,110	104,506
Interest payables	811	120
Other payables	54,836	47,172
Accruals	31,905	29,764
	<hr/> 188,662	<hr/> 185,347
Portion classified as non-current:		
Other payables	(2,751)	(2,238)
	<hr/> 185,911	<hr/> 183,109

As of the end of the reporting period, the ageing analysis of trade payables and bills payable based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	33,556	45,445
1 to 2 months	31,333	36,418
2 to 3 months	18,396	16,871
Over 3 months	17,825	9,557
	<hr/> 101,110	<hr/> 108,291

The trade payables are non-interest bearing and are normally settled on terms ranging from 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the gradual lifting of quarantine restrictions, the economy of Europe and the United States have started to show signs of recovery. However, the energy crisis caused by the outbreak of Russia-Ukraine war had accelerated inflation, and the economic recovery was also undermined by interest hike in the United States. The global economy was trapped in stagflation, while the domestic pandemic remained unstable with rebound since March 2022. The supply chain was disrupted due to the pandemic, resulting in containment measures, transportation delays, customer shutdowns, and plant closures of outsourcing suppliers, which in turn have impeded the recovery of multiple industries.

Under the complicated and challenging environment, the Group achieved a turnover of HK\$962,566,000 for the year, representing a decrease of 6.6% or HK\$68,242,000 as compared to the corresponding period of last year. Other than hydraulic equipment components business, other businesses recorded remarkable decline in revenue.

	2022		2021		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Major business categories						
Automotive components	458,334	47.6	510,900	49.5	-52,566	-10.3
Hydraulic equipment components	394,296	41.0	361,669	35.1	32,627	+9.0
Electronic equipment components	91,151	9.5	113,009	11.0	-21,858	-19.3
Others	18,785	1.9	45,230	4.4	-26,445	-58.5
	<u>962,566</u>	<u>100.0</u>	<u>1,030,808</u>	<u>100.0</u>	<u>-68,242</u>	<u>-6.6</u>

The Group's automotive components business segment recorded annual sales of HK\$458,334,000, representing a decrease of 10.3% or HK\$52,566,000 as compared to last year, which was due to the ongoing shortage of automotive chips and the impact of the domestic pandemic. The Group has maintained its profitability through diversified development. The sales of hydraulic equipment components increased significantly after the Group completed the acquisition of hydraulic business last year. The sales of hydraulic equipment components accounted for 41.0% of the Group's total sales. The annual sales of hydraulic equipment components amounted to HK\$394,296,000, representing an increase of 9.0% or HK\$32,627,000 as compared to last year. The electronic equipment components business segment recorded annual sales of HK\$91,151,000, representing a decrease of HK\$21,858,000 or 19.3% as compared to last year. Such decrease was mainly due to the significant decline in orders of the business segment arising from the weak market sentiment in consumer electronics since the second half of 2022. Other businesses declined, which was mainly affected by the decline in the price of recycled scrap in 2022.

During the year, the raw material market experienced significant fluctuations. The Group strived to seek domestic materials as substitutes, but the overall price of raw materials increased year-on-year. Raw material costs did not decrease in proportion to the decline in revenue, and as a result, the increase in the unit price of some raw materials eroded gross profit. In addition, revenue decreased year-on-year, and the reduction in production scale meant that economies of scale were not fully realized. The increase in transportation costs resulting from the pandemic also led to rise in average costs. Faced with multiple unfavorable factors, the Group has carried out a number of automation projects to improve production efficiency, promote cost reduction and efficiency improvement, and enhance automation levels. By implementing projects such as full inspection equipment and automated loading and unloading on production lines, the number of workers was streamlined. To cope with the challenging environment, the Group focused on improving efficiency and made greatest effort to implement lean production. Therefore, there has been no negative impact on the gross profit margin despite the decline in sales. The Group will continue to reduce costs by various measures to achieve higher gross profit margins.

In addition, the Group proactively invested more resources in research and development. Our research institute was established in June 2022 to improve the technological level and product quality of the Group. As a long-term strategic investment, the research and development projects take time to realize the economic benefits brought by the research and development results, which had an impact on the profit for the year. Meanwhile, through the research institute platform, the Group continued to promote the industry-university-research cooperation projects with Tsinghua University, Zhejiang University, Yanshan University and Lanzhou University of Technology, so as to make a breakthrough in technical difficulties of research and development. The Group will increase the investment in research and development resources, and improve the scientific research capabilities to ensure the orderly development of research and development work.

Secondly, with recurring pandemic in Shenzhen, Dongguan and Guangzhou, which was particularly severe in Guangzhou in the second half of the year, the Group has made unremitting efforts in the prevention and control work of pandemic in 2022, formulated the pandemic emergency plan, established the emergency team and maintained sufficient stocks of pandemic prevention materials. The Group also carried out pandemic prevention and control work in accordance with the national pandemic prevention and control measures, organized personnel to participate in pandemic emergency drills, set up the Group's nucleic acid testing team, properly handled four pandemic emergencies throughout the year, and conducted hierarchical management on the infected personnel, so as to minimize the impact of the pandemic on the Group's operation.

The Group strictly complies with the relevant requirements on environmental protection. A “zero-carbon factory” was put into operation in May 2022 at the production base in Guangzhou, which will gradually realize the effect of energy saving and cost reduction. In order to promote the results of energy saving and cost reduction, the Group continued to carry out phase II photovoltaic projects, and continued to cooperate through energy management contract (EMC) model, which can reduce equipment, operation and maintenance and energy consumption during the project period, as well as stabilize the supply level of various facilities and strengthen the Group's production reliability.

PROSPECT

With gradual return to pre-pandemic normality after the pandemic, relaxation of global travel restrictions and social distancing measures, it is expected that the global economy will recover quickly. Despite these positive factors, all the uncertainties such as the ongoing Russia-Ukraine war, tensions between China and the United States, and several interest hikes in the United States will hamper the pace of global economic recovery.

Under the complicated and changing environment, the Group will continue to take “building team, promoting sales, strengthening management, focusing on research and development, ensuring on quality, seeking development and expanding production capacity” as its basic policy in the new year, the Group will strengthen quality control, further explore new drivers of business growth, continuously develop new markets, customers and products, expand business channels, standardize operation and management, promote automation transformation for lean production, build an integrated supply chain of production, supply and sales, and become a leader in the precision machining industry.

Firstly, we provide customer services and strive to expand sales channels; improve order delivery rate through multiple channels and methods, ensure product quality, continue to explore new customers with technology and quality advantages, and continue to exploit customer potential, and focus on customers who still maintain business growth in difficult market times. We will also focus on the transformation of research results, improve the success rate of new project development to enable new research projects to become new sources of growth, continue to expand business for the Group to achieve sustainable growth, and maintain our leading position with technology and cost advantages. Meanwhile, we will develop e-commerce platform to pursue both online and offline development.

In addition, we will strengthen hiring of new employees externally and promote competent talents internally, so as to help the Group form a new development pattern. We will make plans for redundant and supplementary personnel, increase the introduction and training of talents, focus on recruitment of key talents, formulate and implement annual training programs, carry out internal trainer mechanism, and implement evaluation scheme to assess the effectiveness of training programs.

Moreover, we will focus on lean production and strengthen cost control; maintain close communication with suppliers for raw materials control and management, and cultivate strategic partnership; and vigorously promote lean production, reduce cost and enhance efficiency for all steps, and improve personnel and machine efficiency.

Secondly, we will improve the efficiency of organizational operation and prevent operation risks; optimize safety rules and regulations, implement the production safety responsibility system, carry out production safety education and training as scheduled, and increase the intensity, breadth and depth of safety troubleshooting; and pay attention to environmental risks, optimize environmental rules and regulations, and carry out environmental training, publicity and hidden risk investigation to ensure compliant emissions.

FINANCIAL REVIEW

Under difficult situation and tough operating environment arising from impact of domestic pandemic and global economic downturn, the Group recorded a turnover of HK\$962,566,000, representing a decrease of HK\$68,242,000 or 6.6% from HK\$1,030,808,000 in last year.

With individual business orders recovering and the costs being under control, the Group recorded a gross profit of HK\$274,187,000 in 2022 as compared to HK\$266,813,000 in last year, representing an increase of approximately HK\$7,374,000 over last year. Despite the decline in sales, gross profit margin increased to 28.5% from 25.9% in last year, representing an increase of 2.6%.

Other income was HK\$45,606,000 for the year as compared to HK\$63,290,000 in last year. The changes were mainly attributable to the gain on disposal of partial interests in an associate of HK\$21,384,000 in last year and the gain on trading of securities of HK\$1,905,000 in last year, while there were no such gains in 2022, resulting in a decline in other income. Secondly, the subsidies received from the Chinese authorities decreased from HK\$16,414,000 in last year to HK\$8,204,000 in this year, representing a decrease of HK\$8,210,000 or 50.0%. Although the Group recorded an exchange gain of HK\$11,597,000, the overall other income still decreased by HK\$17,684,000 or 27.9% as compared to last year.

Distribution costs amounted to HK\$26,178,000 in 2022, representing an increase of HK\$560,000 from HK\$25,618,000 last year. Although there was a decrease in revenue and related transportation costs, the expansion of domestic sales led to an increase in selling commissions by HK\$2,352,000.

Administrative expenses and other expenses amounted to HK\$183,874,000 in 2022, representing an increase of HK\$36,900,000 as compared to HK\$146,974,000 in last year. The increase was due to several factors: first, as the Group granted share options to its directors and employees in March 2022, the equity settled share-based payment expense increased by HK\$12,753,000 as calculated according to the accounting standards; second, a net loss amounted to HK\$7,160,000 arising from fire in a warehouse in the United States, the final compensation is subject to determination by the insurance company; moreover, the acquisition of Jiangsu Kemai Hydraulic Control System Company Limited in May 2021 (details of which are set out in the announcement of the Company dated 6 May 2021) resulted in an increase of HK\$4,606,000 in administrative expenses and other expenses as compared to last year. Salaries and allowances increased by HK\$5,070,000 as a result of the grant of bonus to employees for motivation purpose.

As bank loans were from banks in Hong Kong, the interest rate of which was affected by the interest hike in the United States. Coupled with the new bank loans in 2022, the total amount of bank loans increased, resulting in an increase in finance costs of HK\$2,155,000 to HK\$6,832,000 in 2022 as compared to HK\$4,677,000 in last year.

As a result of the foregoing factors, the profit attributable to holders of the Group for the year ended 31 December 2022 amounted to HK\$27,741,000, representing a decrease of HK\$63,005,000 or 69.4% as compared to HK\$90,746,000 in last year.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, the Group had bank and other loans of HK\$195,849,000, representing an increase of HK\$45,054,000 as compared to HK\$150,795,000 as at 31 December 2021. The bank loans were secured by corporate guarantees given by the Company and deposits of its subsidiary of HK\$20,000,000 (2021: Nil). Besides, the Group pledged deposits of HK\$2,239,000 to issue letters of guarantee (2021: HK\$2,427,000).

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

As at 31 December 2022, cash per share of the Group amounted to HK\$0.71 as compared to HK\$0.80 last year, based on the 1,052,254,135 ordinary shares in issue (31 December 2021: 1,052,254,135 ordinary shares). The net asset value per share for 2022 amounted to HK\$1.82, representing a decrease of 7.1% as compared to HK\$1.96 last year.

Net cash inflow from operating activities decreased from HK\$82,438,000 in last year to HK\$4,410,000 in 2022, due to the decrease in the Group's overall sales revenue.

In terms of capital expenditures, the Group strengthened its investment in automation equipment to improve production efficiency in the long run. Despite market fluctuations, the Group invested HK\$98,968,000 in fixed assets, mainly in production equipment. In addition, the Group utilized idle funds for equity investment, which amounted to HK\$9,971,000 in 2022. As a result, net cash outflow from investing activities in 2022 was HK\$87,003,000, representing a decrease of HK\$71,129,000 as compared to last year, mainly due to the absence of acquisition and gain on disposal of interests in an associate in 2022.

In terms of financing activities in 2022, bank borrowings amounted to HK\$220,000,000 raised for the year, and the new bank borrowings were used to repay bank loans due and payable of HK\$150,795,000. In addition, interest paid increased from HK\$2,982,000 in last year to HK\$4,688,000 due to the increase in new bank borrowings and higher interest rate. Net cash inflow from financing activities in 2022 amounted to HK\$42,590,000 (net cash outflow from financing activities last year: HK\$16,175,000).

The Group's net cash (cash and bank balances less total bank borrowings) was HK\$555,448,000 as at 31 December 2022, representing a decrease of HK\$136,567,000 as compared to HK\$692,015,000 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, whereas most of the Group's assets, liabilities and 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 appreciation of Renminbi will adversely affect the Group's profitability. The management of the Group continuously evaluates the foreign exchange risks of the Group and takes measures when necessary to reduce the risks.

HUMAN RESOURCES

The Group introduces top talents and talents in urgent need, builds a talent training program with multiple forms and channels, deeply exploits talent potential, implements measures to stabilize posts, and retains core talents. During the year, the Group promulgated and implemented the Lean Talent Certification Management Measures (《精益人才認證管理辦法》) to strengthen the incentive of key technical talents and reduce the loss of them. Meanwhile, the Group also improved employees' welfare to guarantee their daily needs and enhance their sense of belongings. In addition, the Group adopted safety policies, and regularly carried out safety trainings to improve the safe production awareness of employees, allowing them to work in a safe environment.

The trainings during the year covered various aspects, including new employee orientation, production management, general management, quality management, supply chain management, financial management, sales management and R&D management. In addition, the Group provided targeted trainings for reserved talents and cadres and adhered to the principle of giving specific trainings to key talents, giving preferential trainings to outstanding talents and giving comprehensive trainings to young talents.

Meanwhile, the Company has a share option scheme in place as an encouragement and awards to selected participants for their contributions to the Group. The Group has set up a mandatory provident fund and local retirement benefit scheme for our staff.

During the year, on the one hand, the Group reduced the need for basic personnel and improved efficiency through automated production and addition of new equipment; on the other hand, the Group expanded its R&D team to invest in the future development of the Group. As such, as at 31 December 2022, the Group had a total of 2,204 employees, representing a decrease of 3 employees as compared to 2,207 employees as at 31 December 2021.

SUPPLEMENTARY INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Final Dividend

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2022 (2021: Nil).

Closure of Register of Members

The Register of Members of the Company will be closed during the following period:

From 10 May 2023 to 15 May 2023 (both days inclusive), during that period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the 2023 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 9 May 2023 for registration of transfer.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The 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 Listing Rules (the "CG Code") during the period under review except that there was no separation of the roles of Chairman and Chief Executive Officer as specified in the code provision C.2.1 of the CG Code. Mr. Zeng Guangsheng 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 Group.

Throughout the year ended 31 December 2022, the Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed independent non-executive Directors representing more than one-third of the Board throughout the year and is in compliance with Rule 3.10A of the Listing Rules except in a very short period of time when Mr. Mei Weiyi (“**Mr. Mei**”) resigned as an independent non-executive Director on 30 October 2022, and Mr. Zhu Jianbiao (“**Mr. Zhu**”) was appointed subsequently as an independent non-executive director on 14 November 2022, which was no more than 15 days from the date of the resignation of Mr. Mei. Following the appointment of Mr. Zhu with effect from 14 November 2022, the Company has (i) three independent non-executive Directors, which is in compliance with Rule 3.10(1) of the Listing Rules; and (ii) three members of the Audit Committee, which is in compliance with Rule 3.21 of the Listing Rules.

Prior to the appointment of Mr. Zhu, the Board has two independent non-executive Directors with one of them, Mr. Yang Rusheng, possessing appropriate accounting and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

Audit Committee

The Audit Committee of the Company, comprising three independent non-executive directors, namely Mr. Yang Rusheng (Chairman of the Audit Committee), Mr. Cheung, Chun Yue Anthony and Mr. Zhu Jianbiao, has reviewed 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 annual results for the year ended 31 December 2022 with senior management of the Group and external auditor.

Events after the Reporting Period

The Group had no material events for disclosure subsequent to 31 December 2022 and up to the date of this announcement.

Scope of Work of Mazars CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have agreed the Group's auditor, Mazars CPA Limited (“**Mazars**”), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

General

A circular of the Company containing, inter alia, full details of the proposed Amendments to the Memorandum and Articles and the proposed adoption of Chinese name of the Company, together with a notice of the AGM of the Company and the related proxy form, will be despatched to the shareholders of the Company in due course.

Proposed Amendments to the Memorandum and Articles of Association of the Company

The Board proposed to amend and restate the existing memorandum and articles of association of the Company (“**Memorandum and Articles**”) for the purposes of, among others, aligning the Memorandum and Articles with the legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3, in respect to a uniform set of 14 “Core Standards” for the shareholder protections, to Listing Rules which took effect on 1 January 2022.

Other house-keeping amendments to the Memorandum and Articles are also proposed for the purpose of clarifying existing practices and making consequential amendments in line with the amendments to the Memorandum and Articles (collectively, the “**Amendments**”). Details of the proposed Amendments will be set out in the circular to be despatched to the shareholders in due course.

The proposed Amendments are subjected to the approval of the shareholders by way of a special resolution (“**Special Resolution**”) at the AGM, with the amendments to take effect when the proposed Amendments become effective at the AGM. Prior to the passing of the Special Resolution, the existing Memorandum and Articles shall remain valid. After the proposed amendments to the Memorandum and Articles come into effect, the full text of the new set of Memorandum and Articles will be published on the websites of the Company and the Stock Exchange (www.hkexnews.hk).

Proposed Adoption of Chinese Name

The Board proposes to adopt the Chinese name “國際精密集團有限公司” (which is currently used for identification purpose only) as the dual foreign name of the Company (the “**Proposed Adoption of Chinese Name**”).

Conditions of the Proposed Adoption of Chinese Name

The Proposed Adoption of Chinese Name is subject to the following conditions:

- (1) the passing of a special resolution by the shareholders of the Company approving the Proposed Adoption of Chinese Name at the forthcoming AGM to be held on 15 May 2023; and
- (2) the Registrar of Companies of the Cayman Islands granting approval or the Proposed Adoption of Chinese Name.

The relevant filing with the Registrar of Companies of the Cayman Islands will be made after the passing of the special resolution at the AGM. Subject to the satisfaction of the conditions set out above, the Proposed Adoption of Chinese Name will take effect from the date on which the Registrar of Companies of the Cayman Islands enters the dual foreign name in Chinese of the Company on the register of companies maintained by the Registrar of Companies of the Cayman Islands and issues a Certificate of Incorporation on Change of Name. The Company will then carry out all necessary registration and/or filing procedures with the Registrar of Companies and Companies Registry in Hong Kong.

Reasons for the Proposed Adoption of Chinese Name

The Board considers that the Proposed Adoption of Chinese Name is in line with the Group's strategic and business development direction to further strengthen its presence in the PRC market and to enhance its corporate image and identity. Accordingly, the Board considers that the Proposed Adoption of Chinese Name will benefit the Group's future business development and is in the interests of the Company and its shareholders as a whole.

Effect of the Proposed Adoption of Chinese Name

The Proposed Adoption of Chinese Name will not affect any rights of the shareholders or the daily business operation of the Company and its financial position. Once the Proposed Adoption of Chinese Name becomes effective, any new share certificates of the Company issued thereafter will bear the new name of the Company. All existing share certificates of the Company in issue bearing the existing name of the Company will, upon the Proposed Adoption of Chinese Name becoming effective, continue to be valid for trading, settlement, registration and delivery purposes.

Accordingly, there will not be any arrangement for free exchange of the existing share certificates of the Company for new share certificates bearing the new name of the Company. Once the Proposed Adoption of Chinese Name becomes effective, new share certificates of the Company will be issued only in the new name of the Company.

Subject to the confirmation by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Chinese stock short name for trading in the shares of the Company on the Stock Exchange will remain unchanged as "國際精密" upon the Proposed Adoption of Chinese Name becoming effective.

Further announcement(s) will be made by the Company to inform the Shareholders of the effective date of the Proposed Adoption of Chinese Name as and when appropriate.

Board of Directors

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

Executive Directors

Mr. Zeng Guangsheng

(Chairman and Chief Executive Officer)

Mr. Ng Hoi Ping

Non-executive Directors

Ms. Zeng Jing

Mr. Chen Kuangguo

Independent Non-executive Directors

Mr. Yang Rusheng

Mr. Cheung, Chun Yue Anthony

Mr. Zhu Jianbiao

(appointed on 14 November 2022)

By order of the Board

IPE Group Limited

Zeng Guangsheng

Chairman

Hong Kong, 27 March 2023