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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)**

### **DISCLOSEABLE TRANSACTION CONSTRUCTION CONTRACT IN RELATION TO THE CONSTRUCTION OF THE FACTORY**

#### **THE CONSTRUCTION CONTRACT**

The Board is pleased to announce that on 22 August 2023, Jiangsu Koda (an indirect wholly owned subsidiary of the Company) and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works in respect of the Factory and other ancillary facilities at Total Contract Price of RMB66,660,000.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in Rule 14.04(9) of the Listing Rules) in relation to the transaction contemplated under the Construction Contract exceeds 5% but is less than 25%, the transaction contemplated under the Construction Contract constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 22 August 2023, Jiangsu Koda and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the Construction Works in respect of the Factory and other ancillary facilities at Total Contract Price of RMB66,660,000.

## **THE CONSTRUCTION CONTRACT**

The principal terms of the Construction Contract are set out as follows:

Date : 22 August 2023

Parties : (i) Jiangsu Koda ; and  
(ii) the Contractor.

Scope of Construction Works : The estimated construction area of the Factory is 28,977 square metres.

The Contractor shall be responsible for the construction works of the Factory, including but not limited to the (i) civil engineering works; (ii) foundation works; (iii) main structural construction works; (iv) electrical and plumbing installation works; and (v) all the correction works for the quality defects on the Factory, if any, which may be identified during the Defects Liability Period (as defined below).

Construction Period : The Construction Works are expected to be completed within 285 days after commencement of the Construction Works. Under the Construction Contract, the expected commencement date is 28 August 2023 and the expected completion date is 13 June 2024.

Total Contract Price : RMB66,660,000, subject to adjustment under the Construction Contract arising from market fluctuation of construction materials.

The Total Contract Price was determined by way of tender process conducted by Jiangsu Koda and on normal commercial terms with reference to the expected work scope, complexity and quality of the construction works to be carried out, the costs of materials and labour costs estimated to be incurred, the experience, competency and market position of the Contractor and the prevailing market prices for carrying out construction works of comparable scale and complexity.

In selecting the Contractor, Jiangsu Koda took into account the relevant qualifications, credentials and experience of the Contractor.

Accordingly, the Board considers that the Total Contract Price is fair and reasonable. It will be satisfied by the internal resources and bank borrowings of the Group.

Payment terms and schedule : **Construction**

- (i) Jiangsu Koda is not required to make any advance payment to the Contractor.
- (ii) The Contractor shall submit monthly construction progress reports to Jiangsu Koda and the supervising engineer (監理人工程師) for certification. Jiangsu Koda will make progress payments, up to 80% of the certified amount, within 30 days after receiving the payment request report and invoice from the Contractor.

- (iii) after completion and passing of the acceptance checking of the construction works of the Factory, up to 85% of the Total Contract Price shall be paid to the Contractor;
- (iv) 97% of the contract price for the construction works of the Factory shall be paid to the Contractor after completion of the settlement procedures;

**Defects liability period retention money**

- (v) the remaining balance of 3% of the Total Contract Price will be retained as maintenance bond and will be paid in three (3) tranches:
  - (a) 1% of the Total Contract Price will be paid after
    - (i) the first anniversary of the Defect Liability Period (as defined below); and
    - (ii) Jiangsu Koda having obtained the property ownership certificate of the Factory with the assistance of the Contractor;
  - (b) 1% of the Total Contract Price will be paid after the second anniversary of the Defect Liability Period; and
  - (c) the remaining 1% of the Total Contract Price will be paid after the fifth anniversary of the expiry date of the Defects Liability Period.

Performance guarantee : Within 30 calendar days after the issuance of the bidding acceptance letter (中標通知書) by Jiangsu Koda, the Contractor shall issue a guarantee in favour of Jiangsu Koda in the amount of 10% of the Total Contract Price for the performance of its obligations under the Construction Contract (the “**Performance Guarantee**”). The Performance Guarantee shall be refunded by Jiangsu Koda to the Contractor without interest within 30 days after completion and passing of the acceptance checking of the construction works of the Factory.

Defects liability period : The defects liability period shall be five years from the date of completion of the Construction Works and acceptance after inspection by Jiangsu Koda (the “**Defects Liability Period**”). During the Defects Liability Period, the Contractor shall be responsible for handling quality problems in relation to the Construction Works in a timely manner and in accordance with the Construction Contract.

The Contractor undertakes that it shall procure Jiangsu Koda to obtain the "Yushan Cup (虞山杯) Excellent Engineering Award" for the Factory, failing which the Contractor shall pay a penalty of RMB500,000 to Jiangsu Koda.

Pursuant to the undertaking executed by the Contractor, if the Contractor is unable to obtain the construction permit (施工許可證) for the Factory after the signing of the Construction Contract, Jiangsu Koda shall have the right to unilaterally terminate the Construction Contract.

## **REASONS FOR AND BENEFIT OF ENTERING INTO THE CONSTRUCTION CONTRACT**

The Group is principally engaged in the manufacture and sale of high precision metal components. As at the date of this announcement, we had two production sites for high precision metal components located in Jiangsu Province, the PRC (the “**First Production Site**” and “**Second Production Site**”).

The First Production Site manufactures high-precision automotive components and its average utilisation rate had reached approximately 80% for the year ended 31 December 2022 and is close to reaching its operation limits. The Second Production Site is designated for production of high-end CNC machine tools only. To capture market growth, fulfill potential new purchase orders, and expand the product portfolio in high-precision automotive components segment, the Group intends to increase production capacity for automotive components by acquiring additional equipment. However, due to space constraints in both sites, there is no room for installing new equipment. Therefore, the construction of a new production facility is necessary to expand the Group’s overall production capacity. This will enable the Group to meet the potential increase in customer demand and successfully expand its product portfolio as planned.

The Board believes that the construction of the Factory is in alignment with the Group's overall strategy and would benefit its long-term business development in the automotive & CNC machines segments. In light of the above, the Board considers that the terms of the Construction Contract are fair and reasonable and on normal commercial terms and the entering into of the Construction Contract is in the interests of the Company and the Shareholders as a whole.

None of the Directors had a material interest in the Construction Contract and the transaction contemplated thereunder, therefore no Director abstained from voting in respect of the Board resolutions approving the aforesaid.

### **INFORMATION ON THE GROUP**

The Company is an investment holding company and the Group is principally engaged in the manufacture and sale of high precision metal components.

### **INFORMATION ON THE CONTRACTOR**

The Contractor is a company established in the PRC with limited liability. Based on publicly available information and to the best knowledge, information and belief of the Directors, the Contractor is principally engaged in industrial installation works, electro-mechanical works, steel structure works and water and environmental works, and possesses qualifications in constructions works for various areas, including petro-chemical, electro-mechanical, municipal public and communication engineering areas.

To the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

### **LISTING RULES IMPLICATIONS**

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## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	IPE Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on Main Board (stock code: 929)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contract”	The construction contract entered into between Jiangsu Koda and the Contractor on 22 August 2023 in respect of the Construction Works
“Construction Work(s)”	The construction works in respect of the Factory and other ancillary facilities
“Contractor”	China Construction Fourth Engineering Division Installation Engineering Co., Ltd. (中建四局安裝工程有限公司), a company incorporated in the PRC
“Director(s)”	director(s) of the Company
“Factory”	Factory No. 6 with a gross floor area of approximately 28,977 square meters and will be located at No. 6 Dongzhou Road, the Changshu Economic Technology Development Zone (常熟經濟技術開發區), Jiangsu Province, the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Group, its connected persons and their respective associates and not acting in concert with any substantial shareholder (as defined under the Listing Rules) of the Company within the meaning of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
“Jiangsu Koda”	Jiangsu Koda Precision Engineering Co., Ltd (江蘇科達精密機械設備有限公司), an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Total Contract Price”	the contractual amount of RMB66,660,000, subject to adjustment under the Construction Contract arising from market fluctuation of construction materials
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 22 August 2023

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zeng Guangsheng (Chairman and Chief Executive Officer) and Mr. Ng Hoi Ping; two non-executive Directors, namely, Ms. Zeng Jing and Mr. Chen Kuangguo; and three independent non-executive Directors, namely, Mr. Yang Rusheng, Mr. Cheung, Chun Yue Anthony and Mr. Zhu Jianbiao.*