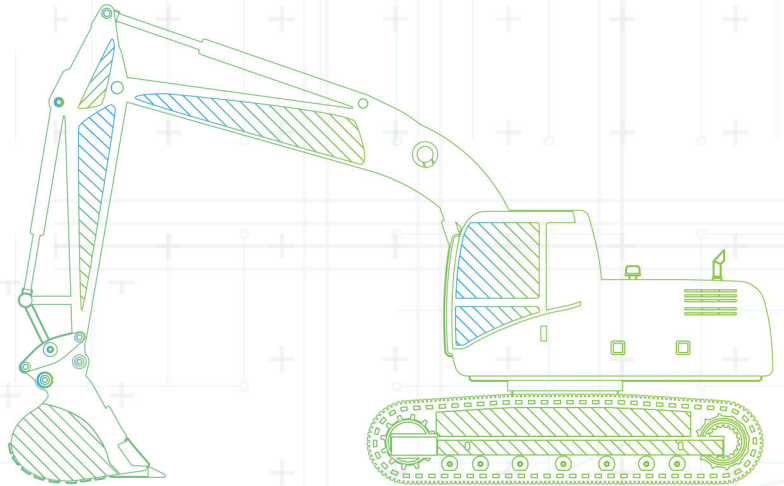
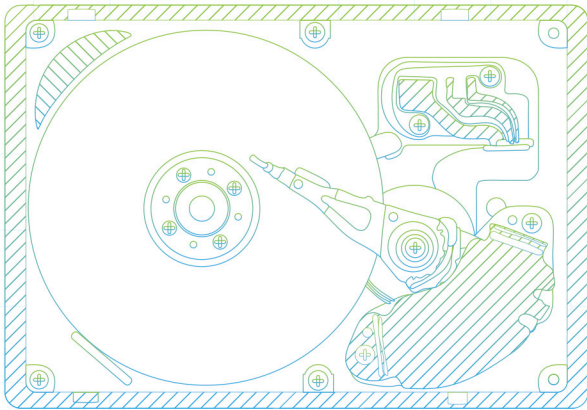


PIPE GROUP LIMITED

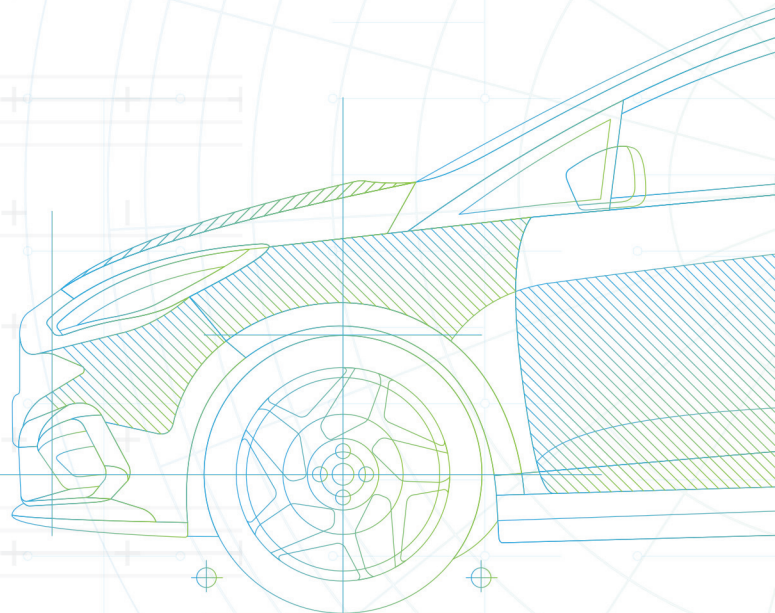
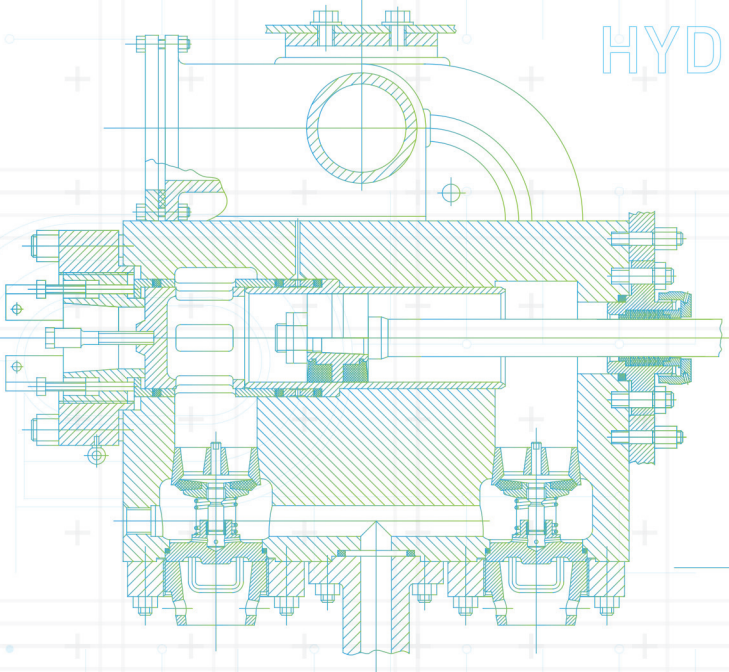
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 929)

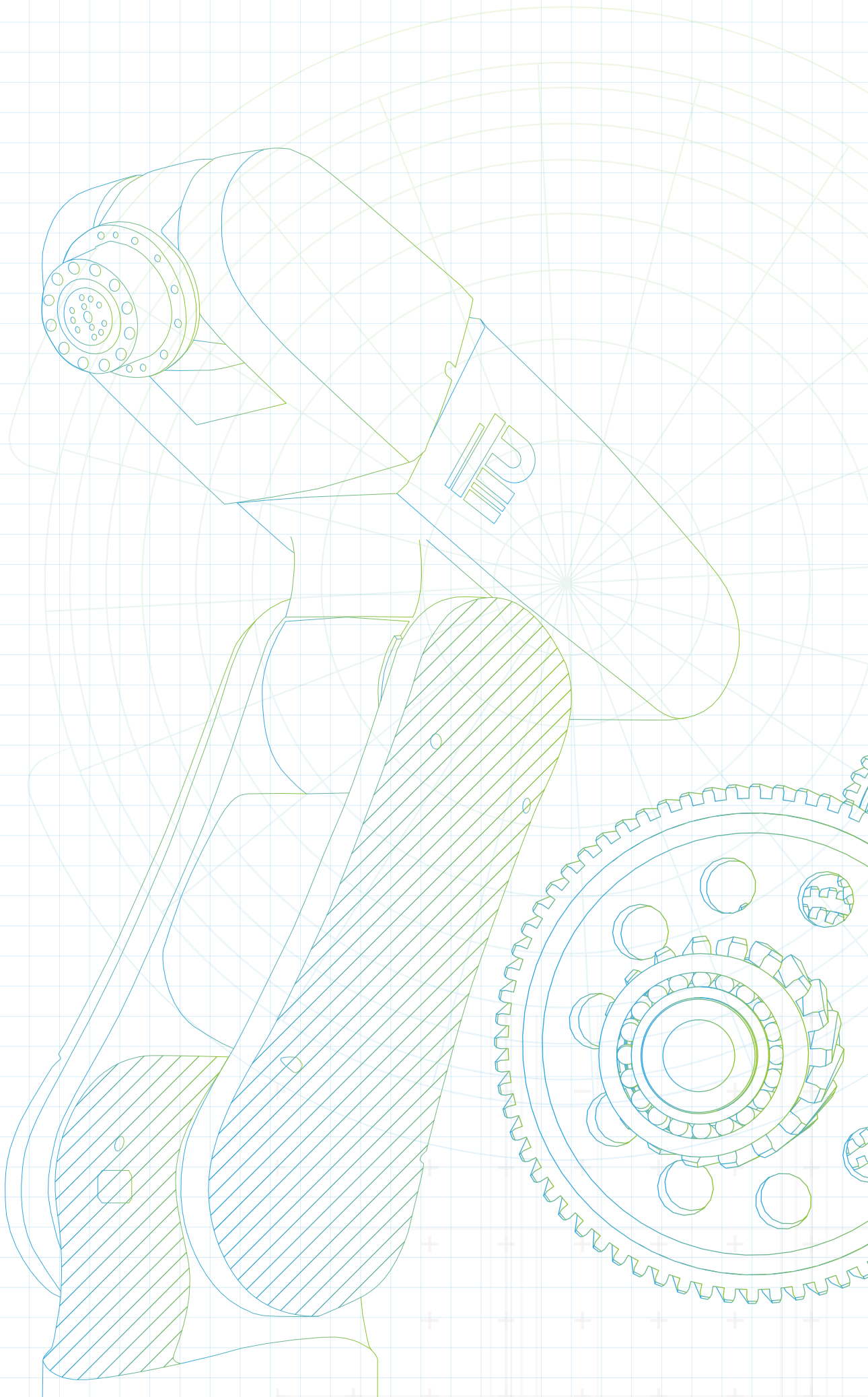


INTERIM REPORT 2020

HDD COMPONENTS AUTOMOTIVE COMPONENTS

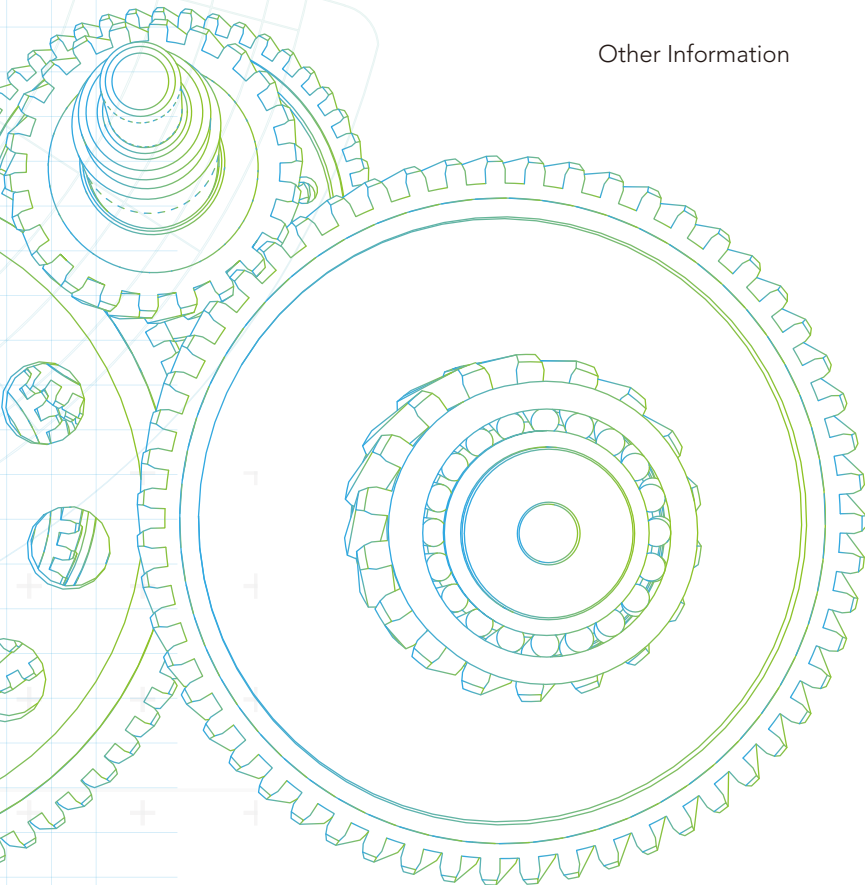
HYDRAULIC COMPONENTS



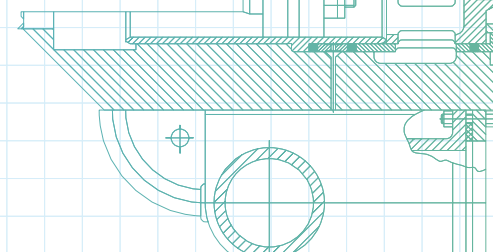


CONTENTS

Corporate Information	2-3
Corporate Profile	4
Corporate Milestone	5
Group Structure	6-7
Financial Highlights	8-10
Management Discussion and Analysis	11-16
Condensed Consolidated Income Statement	17
Condensed Consolidated Statement of Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19-20
Condensed Consolidated Cash Flow Statement	21
Condensed Consolidated Statement of Changes in Equity	22
Notes to the Condensed Consolidated Financial Statements	23-34
Other Information	35-40



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
Mr. Xu Bing

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
Mr. Xu Bing

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

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

Shangwei Shahe Community, 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

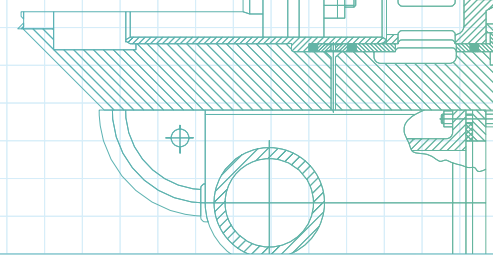
STOCK CODE

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, hard disk drives ("HDD"), electronic 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

- 2019**
- IPE Group Limited was appointed an executive member of the China Robot Industry Alliance
 - Guangzhou Xin Hao was appointed a founding executive member of Guangzhou Robot Association
 - IPE Group Limited nominated as premium supplier by Schaeffler and Continental

- 2018**
- Signed a strategic framework cooperation agreement with Huanan Industrial Technology Research Institute of Zhejiang University
 - Guangzhou Xin Hao was accredited with High and New-Technology Enterprise
 - Changshu Keyu Greystone and Dongguan Koda were accredited IATF 16949 certification — automotive certification

- 2017**
- Success setup a Graduate School-Enterprise Education Partnership Base with Graduate School at Shenzhen, Tsinghua University
 - Guangzhou Xinhao was accredited IATF16949 certification — automotive certification

- 2015**
- Success developed own brandname robots

- 2014**
- Jiangsu Koda completed construction of Phase 1 of the development of our Changshu site which provided 40,000 m² of production area

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

- 2010**
- Guangzhou Xin Hao was accredited AS9100 certification — aerospace certification

- 2006**
- Guangzhou Xin Hao was accredited TS16949 certification — automotive certification

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

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

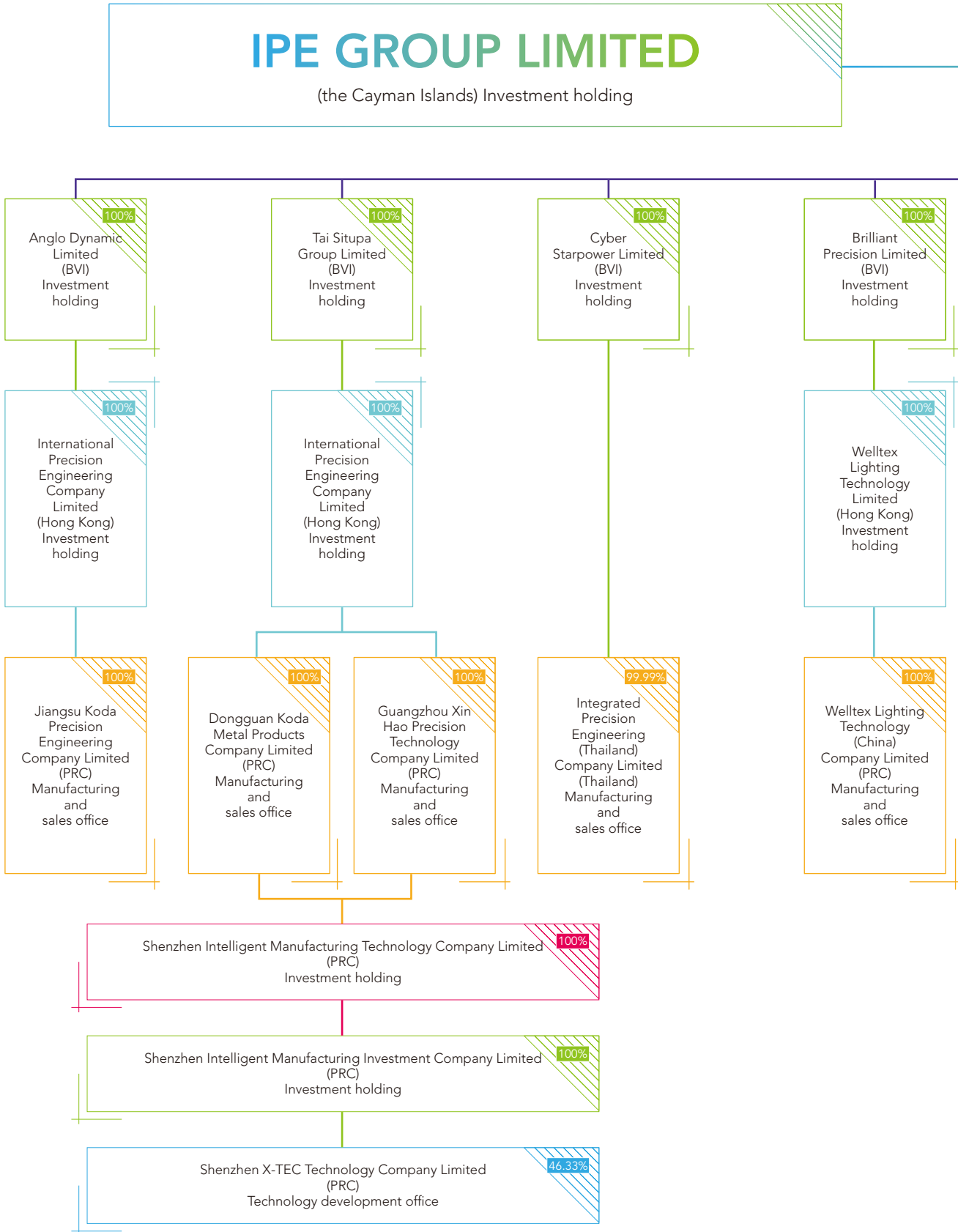
- 1997**
- Established IPE (Thailand) in Thailand

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

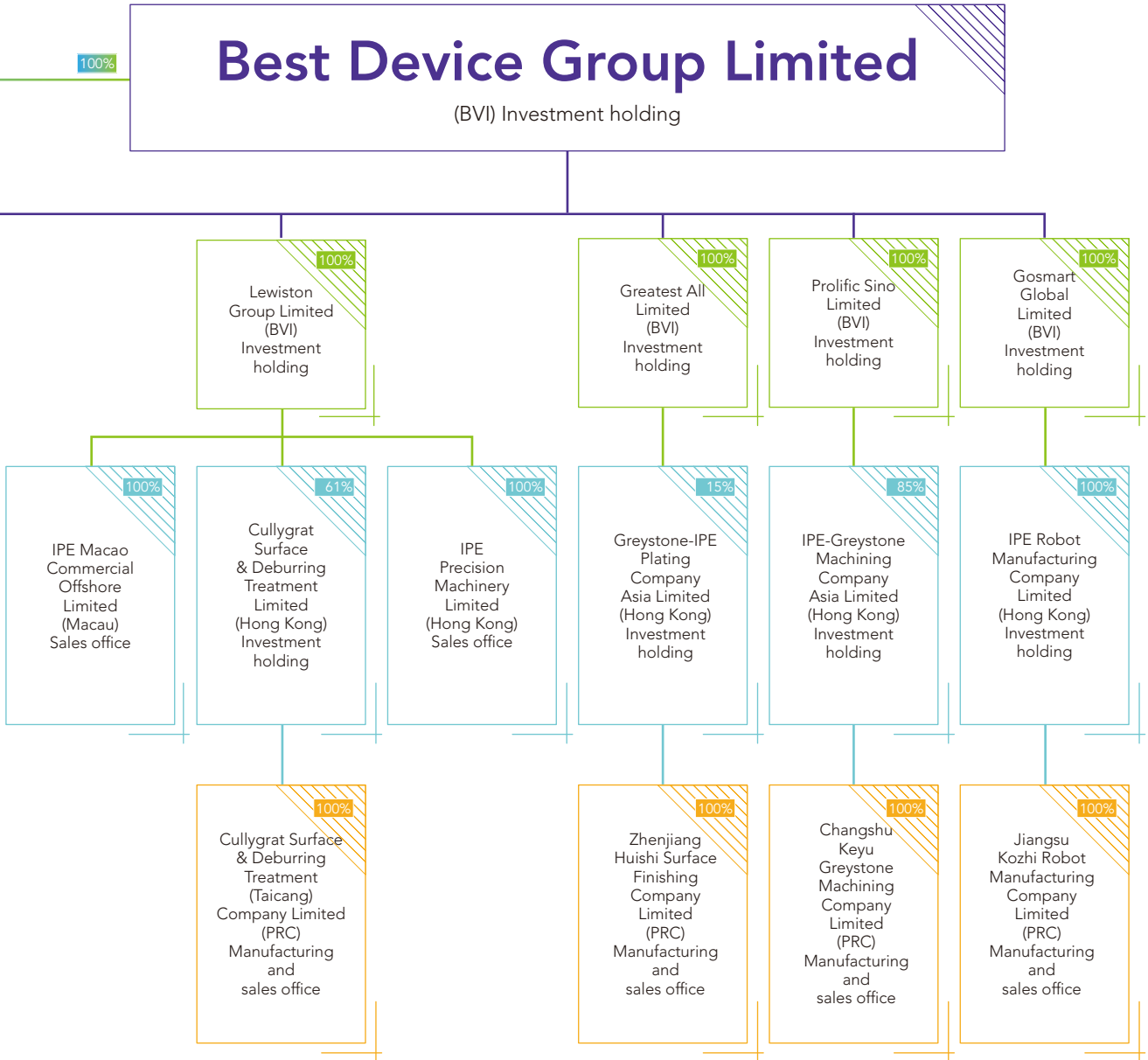
- 1990**
- Established IPE (Singapore) in Singapore

GROUP STRUCTURE

Principal subsidiaries and associate of the Company as at 30 June 2020



GROUP STRUCTURE

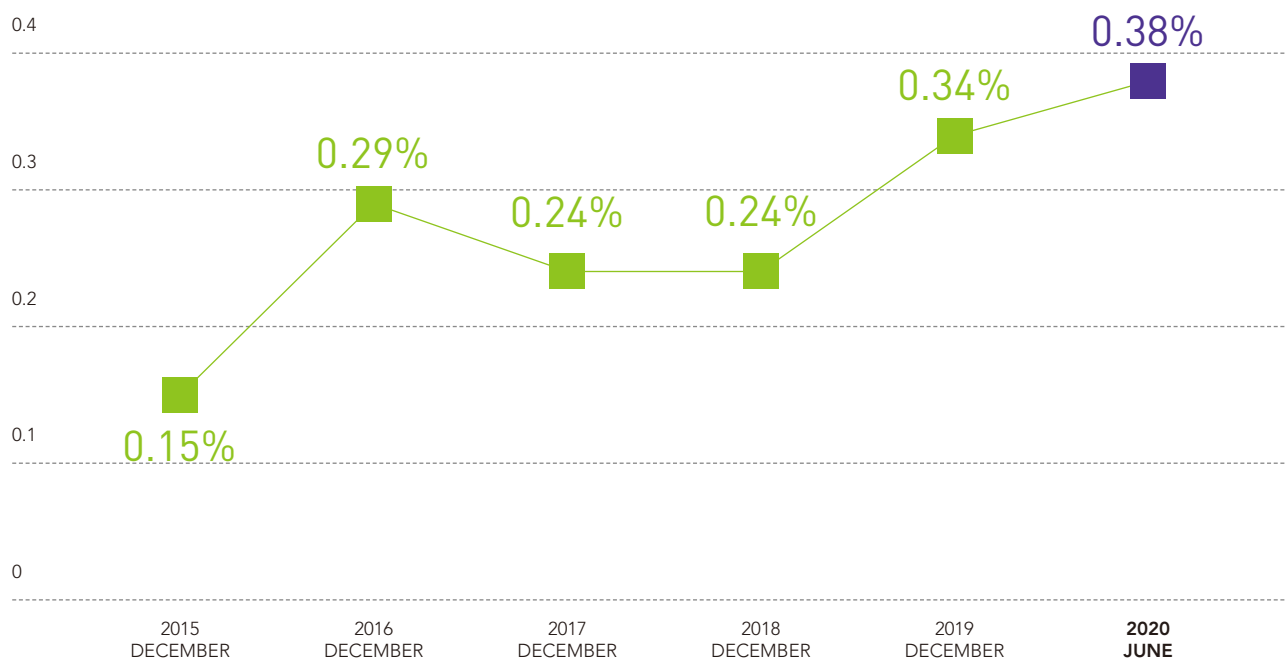


FINANCIAL HIGHLIGHTS

RATIO ANALYSIS

	30 June 2020	2019	Year ended 31 December			
		2018	2017	2016	2015	
KEY STATISTICS						
Current ratio	7.23	7.93	2.59	3.30	3.48	2.02
Net cash to equity ratio	0.38	0.34	0.24	0.24	0.29	0.15
Dividend payout ratio	N/A	13.1%	11.2%	34.9%	43.0%	40.6%
Gross profit margin	20.7%	22.3%	30.8%	34.4%	30.8%	27.9%
Net profit margin	0.6%	5.1%	9.0%	12.2%	12.9%	9.8%
Average days of debtor turnover	114 days	110 days	103 days	94 days	93 days	101 days
Average days of inventories turnover	164 days	153 days	143 days	122 days	126 days	135 days
PER SHARE DATA (HK\$)						
Net asset value per share	1.57	1.63	1.61	1.62	1.42	1.55
Cash per shares	0.81	0.81	0.80	0.87	0.91	0.75

NET CASH TO EQUITY RATIO

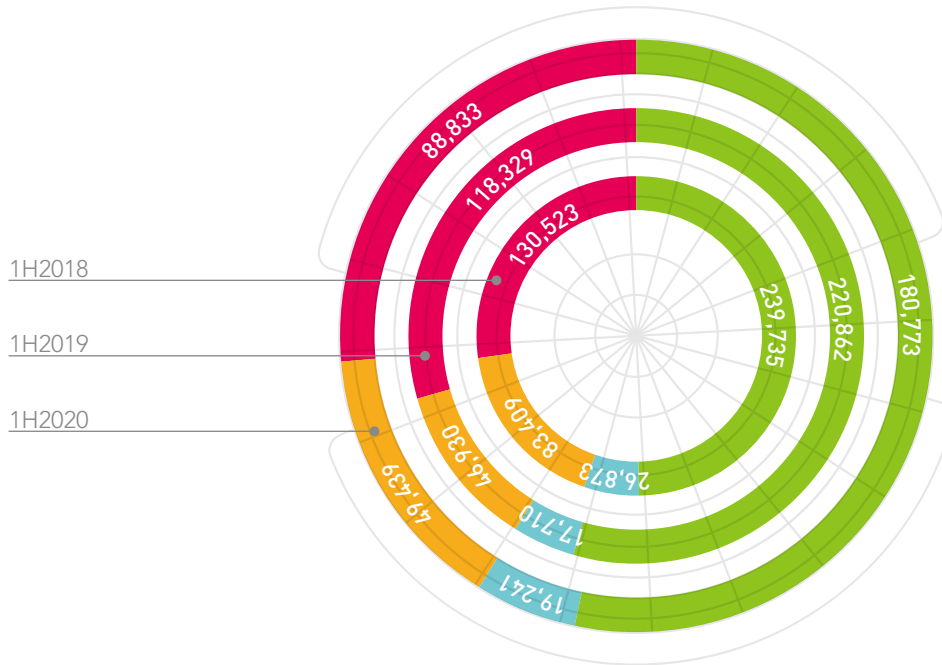


FINANCIAL HIGHLIGHTS

BUSINESS SEGMENTS

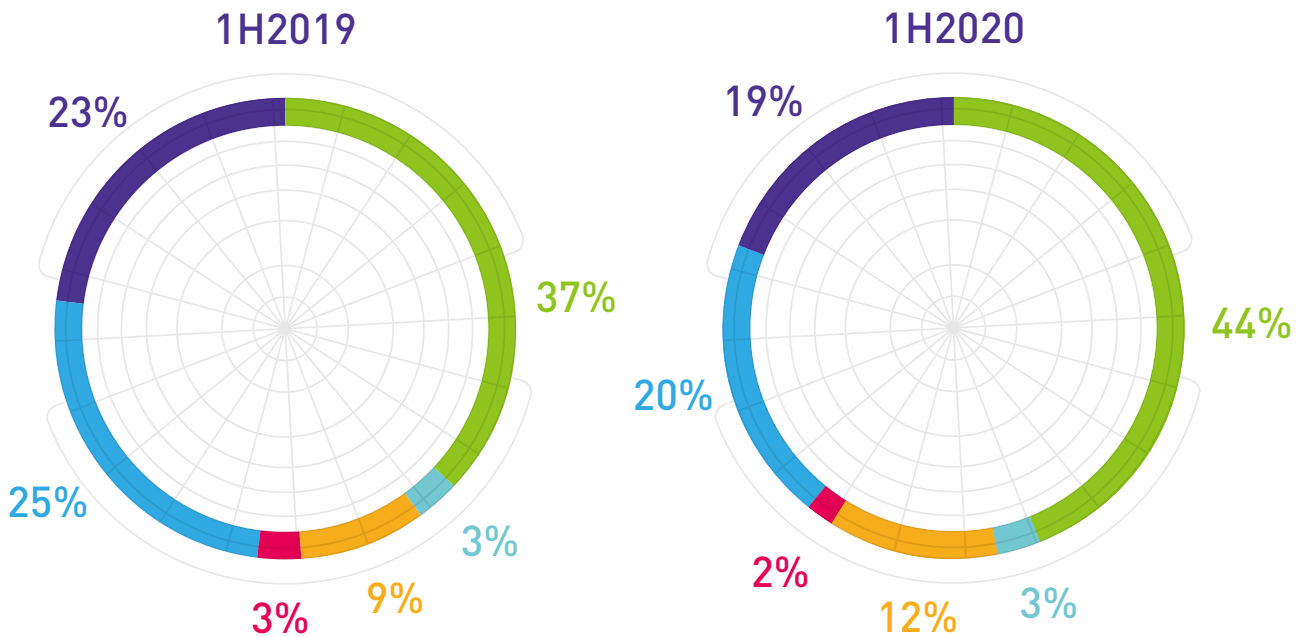
HK\$'000

- AUTOMOTIVE
- OTHERS
- HDD
- HYDRAULIC



GEOGRAPHICAL COMBINATION

- NORTH AMERICA
- OTHERS
- PRC, MACAU AND HK
- THAILAND
- EUROPE
- MALAYSIA

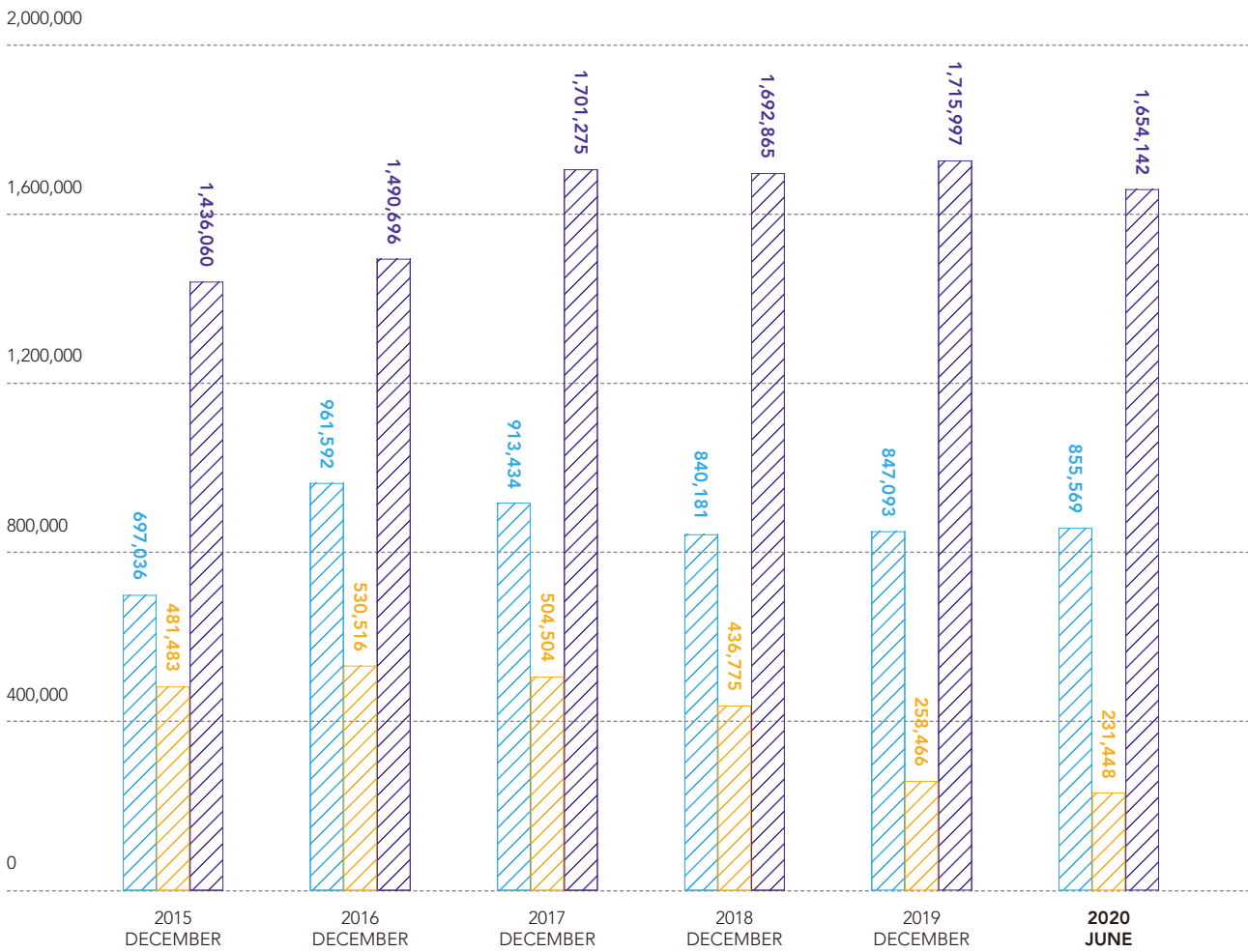


FINANCIAL HIGHLIGHTS

CASH AND CASH EQUIVALENTS, GROSS DEBT AND EQUITY

HK\$'000

- ▨ CASH AND CASH EQUIVALENTS
- ▨ GROSS DEBT
- ▨ EQUITY



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The outbreak of new coronavirus (COVID-19) has rapidly swept through the world and the situation in overseas countries is even more severe. Exported sale account for a larger proportion of the Group's business. During the pandemic, customers in Europe and the United States had shut down factories to different extents in order to curb the spread of the pandemic. Some customers had cancelled orders or postponed the delivery date.

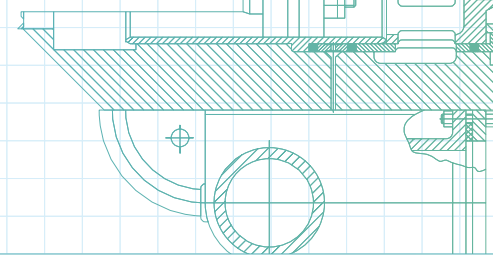
Facing the unprecedented challenges brought by the pandemic, the Group's sales and profits declined significantly as a result. First of all, according to the business segments of the Group below, the sales of several businesses dropped under the pandemic in the first half of this year as compared to the first half of last year.

	1H2020		1H2019		Change %
	HK\$'000	%	HK\$'000	%	
Automotive components	180,773	53.4	220,862	54.7	-18.2
Hydraulic equipment components	88,833	26.3	118,329	29.3	-24.9
HDD components	49,439	14.6	46,930	11.6	+5.3
Others	19,241	5.7	17,710	4.4	+8.6
	338,286	100.0	403,831	100.0	-16.2

At the same time, following China's first-ever negative growth in imported cars in 2019, the Group switched to extend its reach to domestic customers and marched into the market of high-end and highly precision hydraulic components. We actively adjusted our sales and production operation models and coped with the demands of the domestic customers. We would continue to increase our domestic market share in the future in order to alleviate our over-reliance on overseas customers' orders. Secondly, the Sino-US trade dispute has been increasingly tense, resulting in global political and economic instability and also affecting overseas customers' orders. In face of the unstable orders from customers, the Group actively maintained cooperative relationships and increased cooperation opportunities for new projects.

The customers of the automotive and hydraulic equipment components are mainly dispersed in European and U.S. regions. The sales of the automotive components in the first half of 2020 as reflected in above business segments amounted to HK\$180,773,000, representing a decrease of 18.2% as compared to the first half of last year. With regards to the hydraulic equipment components, the sales in the first half of 2020 amounted to HK\$88,833,000, representing a decrease of 24.9% as compared to the first half of last year. As mentioned above, European and U.S. regions have been severely impacted by the pandemic, resulting in the sales of the Group in North America in the first half of this year amounted to HK\$63,963,000, representing a decrease of 32.2% compared to HK\$94,386,000 of the first half of last year; the sales in Europe in the first half of this year amounted to HK\$67,484,000, representing a decrease of 33.8% compared to HK\$101,961,000 of the first half of last year. The sales of the Group in PRC regions in the first half of this year amounted to HK\$149,497,000, which was approximate to the sales of HK\$148,948,000 in the first half of last year.

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW (Continued)

For HDD components, the sales in the first half of this year amounted to HK\$49,439,000, representing a slight increase as compared to the first half of last year, but it was yet to recover to previous sales levels. The customers are not from the epicenter of the pandemic, thus the sales is similar to that before the pandemic.

When the coronavirus broke out at the beginning of this year, in order to strengthen the suppression of the spread of the pandemic, provinces and cities in China had requested enterprises to postpone the resumption of work and had called on enterprises to shut down operation completely in order to avoid infection and spreading. The main production base of the Group is located in China, thus the domestic production bases had followed the order from local authority to shut down operation, which caused a serious blow to the Group. Meanwhile, the pandemic also resulted in slowdown of the Group's new projects, which seriously hindered our expansion to domestic customers.

Facing the unsettled pandemic, the Group places solid financial operations as the top priority and monitors the upcoming overdue payments for the return of accounts receivable. We would enhance our inventory control, optimize supplier resources and streamline the procurement cycle, so as to ensure shortening of fund flow minimization of inventory risks. Idle funds would be utilized to increase returns from deposit.

With the ease of the pandemic situation in China in the second quarter, the existing equipment had been improved and optimized to promote automated production. At the same time, we strengthened the control of outsourced processing procedures and optimized production cycles and gradually improved the environmental protection management system for legal and standardized disposal and discharge of wastes.

The Group officially opened the IPE College of Engineers this year, purchased thousands of reference books and provided a quiet reading room for employees to enrich relevant knowledge. Also, we arranged lectures and trainings and implemented an annual study point scheme, so as to cultivate diverse talents for the enterprise.

Additionally, the Group arose the awareness of intellectual property protection and cultivated research and development skills of relevant staff. It also made substantial investment in patent applications and innovations so as to increase the values of the Group's intangible assets. We will establish an excellent team to be well poised for the economic recovery in the second half of the year.

FINANCIAL REVIEW

Under the effect of the COVID-19 pandemic, the shutdown of customers' factories or delay of delivery time had resulted in the decline of turnover. For the six months ended 30 June 2020, the Group recorded sales of HK\$338,286,000, representing a decrease of HK\$65,545,000 or 16.2% as compared to the first half of last year.

The Group engages in a capital intensive industry, thus fixed costs account for a larger proportion. When turnover decreases, economies of scale cannot be achieved and thus our gross profit would record a larger decline. The gross profit in the first half of this year amounted to HK\$70,029,000, representing a decrease of HK\$16,714,000 or 19.3% as compared to HK\$86,743,000 in the first half of last year. The gross profit in the first half of this year was 20.7%, representing a drop of 0.8% as compared to 21.5% in the first half of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other income to in the first half of this year increased by HK\$7,624,000 over the first half of last year HK\$16,434,000. We mainly utilized our idle funds to generate bank interest incomes, which an increase of HK\$2,955,000 as compared to the first half of last year was recorded. Moreover, benefitting from the appreciation of the US dollar exchange rate, our exchange gain amounted to HK\$5,516,000.

Distribution costs in the first half of this year amounted to HK\$9,727,000, representing an increase of HK\$2,602,000 as compared to that of the first half of last year. Such increase was mainly due to the tax refund of HK\$1,667,000 from the tariffs of importing components to the United States in the first half of last year; however, no waiver of such tariffs had been granted in the first half of this year, thus there was no tax refunds. Besides, due to suspended needed to bear or reduced sewkes of transportation during the pandemic, therefore, the Group bore higher transportation cost, which had already increased by HK\$984,000 in the first half of this year.

Administrative expense and other expenses were HK\$67,021,000 in the first half of this year; representing an increase of HK\$4,458,000 or 7.1% as compared to HK\$62,563,000 in the first half of last year.

In respect of cost increase, share options were granted in April of this year and hence resulted in equity-settled share options expenses amounted to HK\$3,109,000. Besides, the COVID-19 broke out at the beginning of this year and authorities in China implemented corresponding prevention and control measures. The Group followed the instructions of the authorities and implemented appropriate prevention and control measures which led to work suspension of the domestic production bases, during which a costs of HK\$4,805,000 was incurred. On the other hand, when compared with the first half of last year in the terms of cost reduction, our salaries and allowances recorded a decrease of HK\$2,002,000. Also, while an exchange loss of HK\$3,276,000 was recorded in 2019, such loss was not incurred in the first half of this year, leading to a reduction in overall cost.

Finance costs amounted to HK\$4,387,000 in the first half of this year, representing a decrease of HK\$3,645,000 or 45.4% as compared to HK\$8,032,000 in the first half of last year. The decrease was mainly due to reduction in overall loan amounts and a slight decrease in interest rates for bank borrowings.

For the six months ended 30 June 2020, the Group recorded an unaudited net profit of HK\$2,186,000, representing a decrease of HK\$13,538,000 or 86.1% as compared to HK\$15,724,000 in the first half of last year.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the Group had total borrowings amounted HK\$231,448,000 (31 December 2019: HK\$258,466,000) which were secured by corporate guarantee given by the Company. The Group had no charge on any of its assets for its banking facilities as at 30 June 2020 (31 December 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, cash attributable to each share amounted to HK\$0.81 (31 December 2019: HK\$0.81), which was the same as that of last year, based on the 1,052,254,135 ordinary shares in issue (31 December 2019: 1,052,254,135 ordinary shares). The net asset value per share amounted to HK\$1.57, representing a decrease of HK\$0.06 or 3.7% as compared to HK\$1.63 as at 31 December 2019.

During the six months ended 30 June 2020, the Group recorded a net cash inflow from operating activities of HK\$111,422,000. Although the sales in the first half of this year dropped 16.2% as compared to the first half of last year, the net cash inflow from operating activities still maintained at last year's level, mainly attributable to our control of costs and expenses, effective monitoring of monitor our procurement level and expediting the collection of accounts receivable.

Confronting with the pandemic outbreak, the Group budgeted our capital expenditures prudently. The net cash outflow from investment activities for 2020 was HK\$17,012,000, representing an increase of HK\$10,996,000 as compared to the net cash outflow of HK\$6,016,000 in the first half of last year.

With regards to financing activities, the Group did not seek for new bank borrowings in the first half of this year, in hope to spend prudently under the impact of the pandemic. Therefore, the net cash outflow from financing activities in 2020 was HK\$27,565,000 (the net cash outflow from financing activities in the first half of last year was HK\$159,044,000, mainly due to the repayment of bank loans), which was used to repay existing bank loans. The net increase in cash and cash equivalents in the first half of 2020 is HK\$66,845,000 while the net decrease of cash and cash equivalents was HK\$53,306,000 in the first half of last year, mainly caused by repayment of bank loans.

In terms of bank borrowings, the total bank borrowings of the Group as at 30 June 2020 amounted to HK\$231,448,000, representing a decrease of HK\$27,018,000 as compared to HK\$258,466,000 as at 31 December 2019. Under the impacts of the pandemic, the Group swiftly controlled procurement quantities to avoid cancellation of customers' orders. Such act provided some risk exposure to the Group. As at 30 June 2020, the net cash, calculated by cash and bank balances less total bank borrowings, of the Group amounted to HK\$624,121,000, representing an increase of HK\$35,494,000 as compared with HK\$588,627,000 as at 31 December 2019.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

After the official launch of the IPE Engineering Conference, we have invited experienced expert and consultants to be lecturers to provide trainings to the talents of the Group through lectures, practical drills and engineer forums, with an intention to nurture industry elites with high-quality, professionalism and management. We will strengthen the school-enterprise cooperation and have established a school-enterprise cooperation with Guangzhou Mechanical and Electrical Technician College this year as well as organized the IPE order-based classes. Furthermore, we have established a school-enterprise cooperation with the XinHua College of Sun Yat-Sen University and signed an off-campus practice base agreement. The Group recruited a number of post-graduates and fresh graduates from national target universities. We have implemented an important measure for talent pool, which is our commitment in a talent development plan for the nurturing of industry elites. We have established connections with the teams of professors from national key universities in hydraulic profession, including the dean and doctoral instructors from Yanshan University, Lanzhou University of Technology, Harbin Institute of Technology, Shanghai Jiao Tong University and Tongji University, etc., so as to consolidate the project cooperation and talents intake. We have improved the benefits of employees, modified the remuneration of technicians and engineers, re-arranged the working hours and implemented humanized management, so as to motivate our employees to further create values.

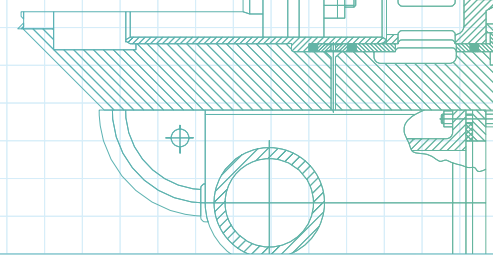
In addition, the Group has a share option scheme in place as an encouragement and rewards to selected participants for their contributions to the Group. Furthermore, the Group has set up a mandatory provident fund and local retirement benefit scheme for our staff.

As at 30 June 2020, the Group had a total of 2,181 employees, representing a decrease of 86 employees or 3.8% as compared to 2,267 employees as at 30 June 2019.

PROSPECT

In the second half of the year, the Group aims to continue to adhere to “promoting transformation, preventing risks, improving efficiency” as our operating policy and “reducing costs, enhancing efficiency, improving quality” as our production principles, so as to achieve safe production with zero incidents, zero cases and zero losses. Since the outbreak of the pandemic, there was no infected case in the production bases. We will endeavor in our prevention efforts and implement corresponding measures in advance. Despite Europe and the U.S. has been gradually releasing the lockdown recently and resumed economic activities, however, the Group believes that the whole world will be threatened by economic downturn and the second phase of COVID-19 pandemic in short to medium term, thus striking a severe blow to the confidence of consumer and causing the market to remain sluggish.

MANAGEMENT DISCUSSION AND ANALYSIS



PROSPECT (Continued)

The business environment would be more intricate in future. In the midst of Sino-U.S. tension and the resurgence of COVID-19, the Group will consistently implement a series of measures to expand new markets, new customers and new products continuously, so as to identify new profit drivers. We will accelerate the development progress of new projects, enhance quality control, utilize the idle productivity and increase the share of purchase from the existing customers from multi-national corporations. Also, we will speed up to develop hydraulic components with high technology content, high demand and high added-value, so as to become the core supplier of customers.

In the first half of this year, we have continued to strengthen our inventory control, reduce the inventory of materials, optimize the procurement of resources, shorten the procurement cycle, strengthen the management of suppliers and speed up the response to customers' orders. On the other hand, we will focus on continuous reduction of our costs, control of our capital risk and collection of proceeds from sales. We will utilize the idle funds reasonably and increase our capital yield, while at the same time to enhance our standardized management and lean production, so as to increase our product efficiency.

At last, on behalf of the Board, I would like to express my heartfelt thanks to all our employees for their contributions and efforts to our Group.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	4&5	338,286	403,831
Cost of sales		(268,257)	(317,088)
Gross profit		70,029	86,743
Other income	5	16,434	8,810
Distribution costs		(9,727)	(7,125)
Administrative expense and other expense		(67,021)	(62,563)
Profit from operations		9,715	25,865
Finance costs	6	(4,387)	(8,032)
Share of losses of an associate		(1,806)	(762)
Profit before taxation	7	3,522	17,071
Income tax	8	(1,336)	(1,347)
Profit for the period		2,186	15,724
Attributable to:			
Equity shareholders of the Company		2,645	15,870
Non-controlling interests		(459)	(146)
Profit for the period		2,186	15,724
Earnings per share	9		
Basic		HK0.3 cents	HK1.5 cents
Diluted		HK0.3 cents	HK1.5 cents
Interim dividend per share		Nil	Nil

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Profit for the period	2,186	15,724
Other comprehensive income:		
Exchange difference on translation of foreign operation	(61,889)	4,802
Total comprehensive income for the period	(59,703)	20,526
Attributable to:		
Equity shareholders of the Company	(59,241)	20,668
Non-controlling interests	(462)	(142)
Total comprehensive income for the period	(59,703)	20,526

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	605,820	648,445
Interest in an associate		1,215	3,064
Right-of-use assets		73,020	78,052
Deposits for purchase of non-current assets		6,448	1,813
Deferred tax assets		10,743	10,982
Total non-current assets		697,246	742,356
CURRENT ASSETS			
Inventories	11	238,162	243,480
Trade receivables	12	192,376	229,249
Prepayments, deposits and other receivables		45,774	44,374
Cash and bank balances	13	855,569	847,093
Total current assets		1,331,881	1,364,196
CURRENT LIABILITIES			
Trade payables	14	56,572	65,848
Other payables and accruals		69,874	44,088
Lease liabilities		1,432	1,291
Tax payables		2,546	6,939
Bank loans	16	53,668	53,769
Total current liabilities		184,092	171,935
NET CURRENT ASSETS		1,147,789	1,192,261
TOTAL ASSETS LESS CURRENT LIABILITIES		1,845,035	1,934,617

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Bank loans	16	177,780	204,697
Lease liabilities		715	1,403
Deferred tax liabilities		10,341	10,381
Other payables		2,057	2,139
Total non-current liabilities		190,893	218,620
Net assets		1,654,142	1,715,997
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	15	105,225	105,225
Reserves		1,550,536	1,611,929
		1,655,761	1,717,154
Non-controlling interests		(1,619)	(1,157)
Total equity		1,654,142	1,715,997

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Net cash generated from operating activities		111,422	111,754
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(19,954)	(6,598)
Proceeds from disposal of items of property, plant and equipment		1,573	582
Purchases of financial assets		(4,413)	–
Proceeds from disposal of financial assets		5,782	–
Net cash used in investing activities		(17,012)	(6,016)
FINANCING ACTIVITIES			
Proceeds from bank loans		–	255,000
Repayment of bank loans		(27,018)	(411,849)
Principal payments of lease liabilities		(547)	(595)
Increase in pledged bank deposits		–	(1,600)
Net cash used in financing activities		(27,565)	(159,044)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		847,093	840,181
Effect of foreign exchange rate changes		(58,369)	4,024
CASH AND CASH EQUIVALENTS AT END OF PERIOD		855,569	790,899
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balance		714,020	673,511
Non-pledged time deposits with original maturity of less than three months when acquired		141,549	117,388
Cash and cash equivalents	13	855,569	790,899

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)	Attributable to owners of the Company											
	Issued capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Statutory			Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				Statutory surplus reserve HK\$'000	public welfare fund HK\$'000	Capital redemption reserve HK\$'000						
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 (Note)	-	-	-	-	-	-	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
At 1 January 2019	105,225	489,197	(1,116)	50,711	287	7,905	24,696	96,871	919,804	1,693,580	(715)	1,692,865
Profit for the period	-	-	-	-	-	-	-	-	15,870	15,870	(146)	15,724
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	4,798	-	4,798	4	4,802
Total comprehensive income for the period	-	-	-	-	-	-	-	4,798	15,870	20,668	(142)	20,526
At 30 June 2019	105,225	489,197	(1,116)	50,711	287	7,905	24,696	101,669	935,674	1,714,248	(857)	1,713,391

Note: On 3 April 2020, the Company granted 54,300,000 share options to the Company's directors and employees at exercise price of HK\$0.9 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

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, hard disk drives ("HDD") 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 2019.

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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, 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 CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ended 31 December 2020.

3.2 Impacts and accounting policies on application of Amendments to HKFRS 3 “Definition of a Business”

3.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

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 CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

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 2020 and 2019 is set out below.

	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

	Six months ended 30 June 2019 (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	11,402	35,528	148,948	94,386	101,961	11,606	403,831
Inter-segment revenue	1,213	–	–	–	–	–	1,213
Reportable segment revenue	12,615	35,528	148,948	94,386	101,961	11,606	405,044
Reportable segment profit							
Gross profit	2,449	7,631	31,995	20,274	21,901	2,493	86,743

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue		
Sale of automotive components	180,773	220,862
Sale of hydraulic equipment components	88,833	118,329
Sale of HDD components	49,439	46,930
Others	19,241	17,710
	338,286	403,831
Other income		
Bank interest income	6,935	3,980
Government grants	120	1,708
Reversal of impairment of trade and other receivables	257	2,123
Others	1,715	894
	9,027	8,705
Gains		
Gain on disposal of items of property, plant and equipment	522	105
Gain on disposal of financial assets	1,369	–
Foreign exchange difference, net	5,516	–
	16,434	8,810

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank loans	3,496	6,937
Financial arrangement fees	853	1,069
Interest on lease liabilities	38	26
	4,387	8,032

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of inventory sold	268,257	317,088
Depreciation on property, plant and equipment	56,799	53,061
Depreciation on right-of-use assets	1,234	1,494
Equity-settled share option expenses	3,109	–
Auditors' remuneration	1,266	1,445
Foreign exchange differences, net	(5,516)	3,276
Gain on disposal of items of property, plant and equipment	(522)	(105)
Provision against inventory obsolescence	–	85
Reversal of impairment of trade and other receivables	257	2,123

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 2019) 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current	1,336	1,347
Deferred	–	–
Total tax charge for the period	1,336	1,347

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

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 2020 is based on the profit attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings		
Profit attributable to equity shareholders of the Company used in the basic earnings per share calculation	2,645	15,870
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

10. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvement HK\$'000	Plant and Machinery HK\$'000	Furniture and Fixtures HK\$'000	Motor car HK\$'000	Construction in progress HK\$'000	Total HK\$'000
(Unaudited)							
Cost:							
At 1 January 2020	713,905	19,000	1,512,460	85,289	17,462	44,141	2,392,257
Additions	2,259	–	12,663	3,517	959	556	19,954
Disposals	–	–	(30,505)	(1,124)	(2,943)	–	(34,572)
Exchange realignment	(13,745)	(279)	(33,636)	(1,623)	(1,003)	(5,330)	(55,616)
At 30 June 2020	702,419	18,721	1,460,982	86,059	14,475	39,367	2,322,023
Accumulated depreciation:							
At 1 January 2020	323,332	14,013	1,324,013	68,495	13,959	–	1,743,812
Depreciation provided during the period	14,785	1,603	25,853	13,959	599	–	56,799
Disposals	–	–	(29,771)	(807)	(2,943)	–	(33,521)
Exchange realignment	(7,088)	(236)	(41,175)	(1,416)	(972)	–	(50,887)
At 30 June 2020	331,029	15,380	1,278,920	80,231	10,643	–	1,716,203
Net carrying amount							
Cost	702,419	18,721	1,460,982	86,059	14,475	39,367	2,322,023
Accumulated depreciation	(331,029)	(15,380)	(1,278,920)	(80,231)	(10,643)	–	(1,716,203)
At 30 June 2020	371,390	3,341	182,062	5,828	3,832	39,367	605,820
(Audited)							
Net carrying amount							
Cost	713,905	19,000	1,512,460	85,289	17,462	44,141	2,392,257
Accumulated depreciation	(323,332)	(14,013)	(1,324,013)	(68,495)	(13,959)	–	(1,743,812)
At 31 December 2019	390,573	4,987	188,447	16,794	3,503	44,141	648,445

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

11. INVENTORIES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Raw materials	64,158	64,476
Consumables	46,264	48,131
Work in progress	64,729	64,002
Finished goods	112,415	125,945
	287,566	302,554
Less: Provision against inventory obsolescence	49,404	59,074
	238,162	243,480

12. 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 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 1 month	63,569	90,894
1 to 2 months	50,126	59,098
2 to 3 months	43,114	41,868
3 to 4 months	28,192	24,531
4 to 12 months	7,645	13,216
Over 1 year	298	467
	192,944	230,074
Less: impairment	568	825
	192,376	229,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

13. CASH AND BANK BALANCES

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Cash and bank balances	714,020	602,607
Non-pledged time deposits with original maturity of less than three months when acquired	141,549	244,486
Cash and cash equivalents	855,569	847,093

14. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 1 month	16,477	38,402
1 to 2 months	22,774	14,142
2 to 3 months	15,691	12,498
Over 3 months	1,630	806
	56,572	65,848

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

15. SHARE CAPITAL

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 December 2019: 1,500,000,000) ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid: 1,052,254,135 (31 December 2019: 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 2020 and year ended 31 December 2019.

16. BANK LOANS

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Unsecured bank loan — note	231,448	258,466

At 30 June 2020, the bank loans were repayables as follow:

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Within 1 year or on demand	53,668	53,769
After 1 year but within 2 years	177,780	204,697
	231,448	258,466

Note:

At 30 June 2020 and 31 December 2019, 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 2020, none of the covenants relating to drawn down facilities had been breached (2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

17. COMMITMENTS

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

	At 30 June 2020 (Unaudited) HK\$'000	At 31 December 2019 (Audited) HK\$'000
Contracted but not provided for:		
Buildings	857	992
Plant and machinery	3,334	2,915
	4,191	3,907

18. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short term employee benefits	4,180	6,967
Equity-settled share option expense	2,519	–
Post-employment benefits	36	30
Long service payments	–	390
Total compensation paid to key management personnel	6,735	7,387

19. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the board of directors on 24 August 2020.

OTHER INFORMATION

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

As at 30 June 2020, 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 Rules Governing the listing of securities of the Stock Exchange of Hong Kong Limited (the "Listing Rule" and the "Stock Exchange" respectively), 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 2020
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.

OTHER INFORMATION

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

(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 2020, 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 2020, 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 2020*
Baoan Technology Company Limited 寶安科技有限公司 ("Baoan Technology")		Directly beneficially owned	564,321,250	53.63%
China Baoan Group Co., Ltd. 中國寶安集團股份有限公司 ("China Baoan Group")	(a)	Through controlled corporation	564,321,250	53.63%
Tottenham Limited		Directly beneficially owned	167,966,975	15.96%
Mr. Chui Siu On	(b)	Through controlled corporation	167,966,975	15.96%
	(c)	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	(d)	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 2020.

Notes:

- 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 564,321,250 shares of the Company owned by Baoan Technology Company Limited pursuant to Part XV of the SFO.
- These shares were held by Tottenham Limited. Tottenham 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 Tottenham Limited pursuant to Part XV of the SFO.
- These shares were held by Ms. Leung Wing Yi, the wife of Mr. Chui Siu On. Accordingly, Mr. Chui Siu On was deemed to be interested in these 125,000 shares of the Company held by his wife pursuant to Part XV of the SFO.
- These shares were held by Mr. Chui Siu On, the husband of Ms. Leung Wing Yi. Accordingly, Ms. Leung Wing Yi was deemed to be interested in these shares owned by her husband pursuant to Part XV of the SFO.

OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2020, 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.

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 2020:

Name or category of participant	Number of share options					At 30 June 2020	Date of grant of share options ⁽¹⁾	Exercised period of share options	Exercise price of share option ⁽²⁾ HK\$ per share
	At 1 January 2020	Granted during the period	Exercised during the period	Expired/lapsed during the period	Forfeited/cancelled during the period				
Directors									
Mr. Zeng Guangsheng	22,000,000	-	-	-	-	22,000,000	05/06/2017	01/09/2018 to 31/08/2022	2.0200
	-	20,000,000	-	-	-	20,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Mr. Ng Hoi Ping	10,000,000	-	-	-	-	10,000,000	05/06/2017	01/09/2018 to 31/08/2022	2.0200
	-	10,000,000	-	-	-	10,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Ms. Zeng Jing	8,000,000	-	-	-	-	8,000,000	05/06/2017	01/09/2018 to 31/08/2022	2.0200
	-	5,000,000	-	-	-	5,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Mr. Chen Kuangguo	-	5,000,000	-	-	-	5,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Subtotal	40,000,000	40,000,000	-	-	-	80,000,000			
Employees in aggregate	-	12,300,000	-	-	-	12,300,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
A supplier	-	2,000,000	-	-	-	2,000,000	03/04/2020	01/03/2021 to 28/02/2026	0.9000
Subtotal	-	14,300,000	-	-	-	14,300,000			
Total	40,000,000	54,300,000	-	-	-	94,300,000			

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

- (1) The closing price of the Company's shares at the date of grant of share options was HK\$0.73 per share. The fair value of the options granted on 3 April 2020 was determined at the date of grant using the binomial option pricing model and was approximately HK\$11 million.
- (2) The vesting period of the share options is from the date of grant (3 April 2020) to 28 February 2021, 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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, 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 2020 (30 June 2019: 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 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 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 Guangsheng will be able to provide the Group with strong and consistent leadership, allowing for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. The structure is therefore beneficial to the Shareholders of the Company as a whole.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising four independent non-executive directors, namely Mr. Yang Rushen (Chairman of the Audit Committee), Mr. Cheung Chun Yue Anthony, Mr. Mei Weiji and Mr. Xu Bing, have 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 as well as reviewed the interim results of the Group for the six months ended 30 June 2020.

MODEL CODE

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 as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all directors and all of them have confirmed that they have complied with the Own Code and Model Code.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES

The Company has also established written guidelines (the "Employees Written Guidelines") on no less exacting terms than the Model Code as set out in Appendix 10 to the Listing Rules 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 2020.

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.

OTHER INFORMATION

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:

Mr. Mei Weiyi, an independent non-executive director of the Company, resigned as Chief Executive Officer and member of the Executive Committee from China Shangdong Hi-Speed Financial Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 412) on 14 January 2020. Since July 2020, Mr. Mei has been appointed as the deputy Chief Executive Officer of China Life Franklin Asset Management Co., Limited.

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, a summary of which is stated 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. At 30 June 2020, the outstanding Facility Loan is amounted to HK\$234 million.

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 default events under the Facility Agreement, in which 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, 24 August 2020

