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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)

ANNOUNCEMENT
CONNECTED TRANSACTION
CAPITAL INCREASE IN GUANGZHOU HUITONG

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The Board hereby announces that, in accordance with the shareholders' resolution of Guangzhou Huitong, Xin Hao (an indirect wholly owned subsidiary of the Company), Huifu Baotong and Zhuhai Yutai agreed to make the Capital Increase, pursuant to which Zhuhai Yutai agreed to contribute RMB15,000,000 to the registered capital of Guangzhou Huitong. As of the date of the Capital Increase, Zhuhai Yutai was owned as to 56.67% and 43.33% by Mr. Zeng and Mr. Zhang, respectively. Zhuhai Yutai is therefore a connected person of the Company, and the Capital Increase by Zhuhai Yutai constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Increase by Zhuhai Yutai exceeds 0.1% but is less than 5%, the Capital Increase by Zhuhai Yutai is subject to the announcement requirement but are exempted from the independent Shareholders' approval requirement under the Listing Rules.

INTRODUCTION

The Board hereby announces that, in accordance with the shareholders' resolution of Guangzhou Huitong, the registered capital of Guangzhou Huitong shall increase from RMB36,000,000 to RMB100,000,000. Xin Hao (an indirect wholly owned subsidiary of the Company), Huifu Baotong and Zhuhai Yutai shall contribute RMB24,800,000 (contributions in kind), RMB24,200,000 and RMB15,000,000 to the increased registered capital of Guangzhou Huitong, respectively.

Upon completion of the Capital Increase, Guangzhou Huitong is owned as to 50%, 35% and 15% by Xin Hao, Huifu Baotong and Zhuhai Yutai, respectively. Guangzhou Huitong remains as a subsidiary of the Company and and its financial results will be consolidated in the consolidated financial statements of the Group.

CAPITAL INCREASE

The principal terms of the Capital Increase are set out below:

Parties: (1) Xin Hao; (2) Huifu Baotong; and (3) Zhuhai Yutai

Subject matter:

The following table sets out the capital contribution by each party, and the shareholding structure of Guangzhou Huitong (i) before the Capital Increase; and (ii) immediately after completion of the Capital Increase:

Shareholders	Before the Capital Increase		Amount of capital contribution (RMB)	Immediately after completion of the Capital Increase	
	Registered capital (RMB)	Shareholding (%)		Registered capital (RMB)	Shareholding (%)
Xin Hao	25,200,000	70	24,800,000 (contribution in kind)	50,000,000	50
Huifu Baotong	10,800,000	30	24,200,000	35,000,000	35
Zhuhai Yutai	-	-	15,000,000	15,000,000	15
Total	36,000,000	100	64,000,000	100,000,000	100

Date and payment of capital contribution:

As proposed by the controlling shareholder of the Company and as approved by the Board, taking into consideration that the new business and new market of Guangzhou Huitong may involve risk and uncertainty, and for the purpose of demonstrating the collective sharing of risk and responsibility by our management team and their confidence and involvement to the long-term development of Guangzhou Huitong, the management team of the Group had provided capital contribution to Guangzhou Huitong through Zhuhai Yutai. Pursuant to the shareholders' resolution of Guangzhou Huitong passed on 2 August 2021, the additional capital contribution of RMB24,800,000 by Xin Hao shall be settled by transferring certain used production machineries to Guangzhou Huitong. The above contribution shall be settled by 31 December 2021. The additional capital contribution of RMB24,200,000 by Huifu Baotong shall be contributed in cash and shall be settled by 31 December 2021. The additional capital contribution of RMB15,000,000 by Zhuhai Yutai shall be contributed in cash and shall be settled by 31 December 2024 by phase. It was agreed among Xin Hao, Huifu Baotong and Zhuhai Yutai that the parties shall only enjoy the relevant shareholders' right in Guangzhou Huitong for those portion of equity interest for which they have completed the capital contribution.

Basis of determination of capital contributions:

The amount of capital contributions under the Capital Increase was determined by the parties after arm's length negotiations taking into account (i) the demands for working capital and future development of Guangzhou Huitong, and (ii) the proportion of capital contribution borne by each of Xin Hao, Huifu Baotong and Zhuhai Yutai based on their respective shareholding in Guangzhou Huitong.

Use of the increased registered capital:

The increased capital will be used for the business operation and development of Guangzhou Huitong.

INFORMATION ABOUT THE PARTIES TO THE CAPITAL INCREASE

Xin Hao is a company established in the PRC with limited liability on 19 June 2002 and is principally engaged in the production and sale of high precision metal components used in automotive parts, hydraulic equipment and other components under the OEM (original equipment manufacturer) model. As of the date of Capital Increase, Xin Hao is an indirect wholly owned subsidiary of the Company.

Huifu Baotong is a company established in the PRC with limited liability on 23 March 2021 and is principally engaged in investment holding. As of the date of Capital Increase, Huifu Baotong was owned as to 99% and 1% by Chen Jianxun (陳簡勳) and Mai Yubin (麥玉彬), respectively. As Huifu Baotong is a substantial shareholder of Guangzhou Huitong which is an insignificant subsidiary of the Company as of the date of the Capital Increase, notwithstanding its interest in Guangzhou Huitong, Huifu Baotong is not regarded as a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for their shareholding in Guangzhou Huitong, Huifu Baotong and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Zhuhai Yutai is a limited liability partnership established in the PRC on 12 July 2021 and is principally engaged in investment holding. As of the date of the Capital Increase, Zhuhai Yutai was owned as to 56.67% and 43.33% by Mr. Zeng and Mr. Zhang, respectively. Zhuhai Yutai is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

INFORMATION ABOUT GUANGZHOU HUITONG

Guangzhou Huitong was established in the PRC on 12 April 2021. It is principally engaged in the research, development and manufacturing of self-designed hydraulic products under the ODM (original design manufacturer) model.

According to the unaudited consolidated financial statements of Guangzhou Huitong, as at 31 July 2021, the total assets and net assets of Guangzhou Huitong amounted to approximately RMB107.5 million and RMB12.4 million, respectively.

The net profits before and after tax of Guangzhou Huitong for the period commencing from 12 April 2021 (being the date of establishment of Guangzhou Huitong) to 31 July 2021 were approximately RMB3,276,000 and RMB2,574,000, respectively.

APPROVAL BY THE BOARD

As of the date of the Capital Increase, Mr. Zeng, being an executive director of the Company, was also the limited partner of Zhuhai Yutai, and therefore is deemed to have material interests in the Capital Increase, and had abstained from voting on the relevant Board resolution for considering and approving the Capital Increase. Save for Mr. Zeng, none of the other Directors of the Company has or is deemed to have a material interest in the abovementioned connected transaction.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Company is an investment holding company and the Group is principally engaged in the manufacture and sale of high precision metal components. However, in view of the increasing competitive environment in the market of high precision components, the Company expects that, in the absence of breakthrough in the development of new products, it may be difficult to achieve further growth in profits by solely focusing on manufacture and sale of the components of products. As such, the Directors consider that it is important for the Group to continuously develop its own brandname of products and expand its products portfolio so as to achieve sustainable growth in the future.

As part of the development strategies, the Group established Guangzhou Huitong for the purpose of strengthening its efforts, including cooperation with universities and research institutes in the PRC, on the research and development of new forms of products. As such, the Capital Increase can serve to satisfy the capital needs of Guangzhou Huitong of its research and development activities of new products, which will be conducive to improving the Group's core competitiveness and sustainable development in the long term. In addition, the provision of production machineries by Xin Hao to Guangzhou Huitong will also equip Guangzhou Huitong with the capability to produce the new products of its own brandname after the research for the self-designed products is completed.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Capital Increase was entered into on normal commercial terms, and although the transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms of the Capital Increase are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As of the date of the Capital Increase, Zhuhai Yutai was owned as to 56.67% and 43.33% by Mr. Zeng and Mr. Zhang, respectively. Zhuhai Yutai is therefore a connected person of the Company, and the Capital Increase by Zhuhai Yutai constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Capital Increase by Zhuhai Yutai exceeds 0.1% but is less than 5%, the Capital Increase by Zhuhai Yutai is subject to the announcement requirement but is exempted from the independent Shareholders' approval requirement under the Listing Rules.

As Huifu Baotong is a substantial shareholder of Guangzhou Huitong which is an insignificant subsidiary of the Company as of the date of the Capital Increase, notwithstanding its interest in Guangzhou Huitong, Huifu Baotong is not regarded as a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules. The Capital Increase by Huifu Baotong does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Capital Increase”	the capital increase in Guangzhou Huitong by Xin Hao, Huifu Baotong and Zhuhai Yutai pursuant to the shareholders' resolution of Guangzhou Huitong passed on 2 August 2021
“Company”	IPE Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Huitong”	Guangzhou Huitong Precision Hydraulics Company Limited* (廣州匯通精密液壓有限公司), a company established in the PRC with limited liability on 12 April 2021 and an indirect non-wholly owned subsidiary of the Company
“Huifu Baotong”	Shenzhen Huifu Baotong New Technology Company Limited* (深圳市匯富寶通新技術有限公司), a company established in the PRC with limited liability on 23 March 2021 and a shareholder of Guangzhou Huitong before the Capital Increase

“insignificant subsidiary”	has the meaning ascribed to it under Rule 14A.09 of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zeng”	Mr. Zeng Guangsheng (曾廣勝), an executive Director, the chairman of the Board and the chief executive officer of the Company
“Mr. Zhang”	Mr. Zhang Shilin (張世林), a director and general manager of certain subsidiaries of the Group and the general partner of Zhuhai Yutai
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Xin Hao”	Guangzhou Xin Hao Precision Technology Company Limited* (廣州市新豪精密科技有限公司), a company established in the PRC with limited liability on 19 June 2002 and an indirect wholly owned subsidiary of the Company
“Zhuhai Yutai”	Zhuhai Yutai Investment Enterprise (Limited Partnership)* (珠海裕泰投資企業(有限合夥)), a limited partnership established in the PRC on 12 July 2021 and a connected person of the Company under Chapter 14A of the Listing Rules
“%”	per cent.

For and on behalf of the Board
IPE Group Limited
Zeng Guangsheng
Chairman

Hong Kong, 17 January 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Zeng Guangsheng (Chairman & 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. Mei Weiyi.

* for identification purpose only