IPE GROUP LIMITED

國際精密集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 929)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

1. Revenue for the year increased by 13% to HK$994,023,000 (2013: HK$878,080,000).

2. Gross profit margin for the year increased to 28.0% (2013: 18.7%)

3. Profit for the year increased by 40 times to HK$95,661,000 (2013: HK$2,348,000).

4. Basic earnings per share for the year was HK10.22 cents (2013: HK0.20 cent).

5. Net asset value per share as at 31 December 2014 was HK$1.60 (2013: HK$1.58).

6. The Group was in a net cash position (i.e. cash and bank balances less total bank borrowings) as at 31 December 2014 in the amount of HK$213 million or equivalent to HK22.87 cents per share (2013: HK$49 million or HK5.33 cents per share).

7. Proposed final dividend of HK$2.4 cents for the year (2013: 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 2014, together with the comparative results for the previous year:

Consolidated Statement of Profit or Loss

		Year ended 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3&4*	**994,023**	878,080
Cost of sales		**(715,626)**	(713,540)
Gross profit		**278,397**	164,540
Other income and gain	*4*	**22,386**	15,409
Selling and distribution expenses		**(28,693)**	(26,713)
Administrative expenses		**(107,756)**	(108,948)
Other expenses		**(16,365)**	(9,311)
Finance costs	*6*	**(23,924)**	(20,215)
PROFIT BEFORE TAX	*5*	**124,045**	14,762
Income tax expense	*7*	**(28,384)**	(12,414)
PROFIT FOR THE YEAR		**95,661**	2,348
Attributable to:			
Owners of the Company		**94,845**	1,827
Non-controlling interests		**816**	521
		95,661	2,348
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK10.22 cents**	HK0.20 cent
Diluted		**HK10.15 cents**	HK0.20 cent

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**95,661**	2,348
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(44,232)**	34,907
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(44,232)**	34,907
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**51,429**	37,255
Attributable to:		
Owners of the Company	**50,687**	36,672
Non-controlling interests	**742**	583
	51,429	37,255

Consolidated Statement of Financial Position

		As at 31 December	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**783,713**	854,702
Prepaid land lease payments		**93,234**	98,114
Loan to an unlisted equity investment		**3,116**	3,540
Available-for-sale investments		**290**	150
Deposit for purchase of non-current assets		**31,539**	7,053
Deferred tax assets		**141**	445
Total non-current assets		**912,033**	964,004
CURRENT ASSETS			
Inventories	*11*	**245,149**	208,504
Trade receivables	*12*	**268,495**	242,615
Prepayments, deposits and other receivables		**27,797**	105,990
Cash and cash equivalents		**753,926**	755,345
Total current assets		**1,295,367**	1,312,454
CURRENT LIABILITIES			
Trade and bills payables	*13*	**81,929**	69,617
Other payables and accruals		**73,823**	35,466
Tax payable		**12,428**	13,284
Interest-bearing bank and other borrowings		**447,952**	426,935
Total current liabilities		**616,132**	545,302
NET CURRENT ASSETS		**679,235**	767,152
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,591,268**	1,731,156

Consolidated Statement of Financial Position *(Continued)*

		As at 31 December	
		2014	2013
	Note	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**92,677**	279,883
Deferred tax liabilities		**9,059**	6,651
Other payables and accruals		**891**	2,062
Total non-current liabilities		**102,627**	288,596
Net assets		**1,488,641**	1,442,560
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**93,245**	91,082
Reserves		**1,369,823**	1,349,026
Proposed final dividend	*8*	**22,379**	–
		1,485,447	1,440,108
Non-controlling interests		**3,194**	2,452
Total equity		**1,488,641**	1,442,560

NOTES TO FINANCIAL STATEMENTS

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 the 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 place of business is located at 11th Floor, Block E1, Hoi Bun Industrial Building, No. 6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong.

The principal activities of the Group during the year were the manufacture and sale of precision metal components for hard disk drives ("HDD"), hydraulic equipment, automotive parts and components for other applications.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in Annual *Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the geographical locations of the customers and has six reportable operating segments as follows:

(a) Thailand;

(b) Malaysia;

(c) Mainland China, Macau and Hong Kong;

(d) North America;

(e) Europe; and

(f) Other countries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2014	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
Segment revenue:							
Sales to external customers	100,875	204,375	211,235	248,245	191,140	38,153	994,023
Intersegment sales	20,424	–	–	–	–	–	20,424
Other revenue	32	–	2,092	–	–	–	2,124
	121,331	204,375	213,327	248,245	191,140	38,153	1,016,571
Reconciliation:							
Elimination of intersegment sales							(20,424)
Revenue							996,147
Segment results	18,370	26,296	27,211	31,944	24,623	4,907	133,351
Reconciliation:							
Elimination of intersegment results							(5,644)
Interest income							20,262
Finance costs							(23,924)
Profit before tax							124,045
Income tax expense							(28,384)
Profit for the year							95,661
Segment assets	142,976	34,306	1,935,488	56,961	42,319	6,646	2,218,696
Reconciliation:							
Elimination of intersegment receivables							(11,355)
Corporate and other unallocated assets							59
Total assets							2,207,400
Segment liabilities	44,006	–	653,338	4,522	10,095	18,153	730,114
Reconciliation:							
Elimination of intersegment payables							(11,355)
Total liabilities							718,759
Other segment information:							
Impairment losses recognised in the statement of profit or loss	1,205	–	4,787	–	–	–	5,992
Depreciation and amortisation	16,378	–	141,923	–	–	–	158,301
Capital expenditure*	2,275	–	120,464	–	–	–	122,739
(Gain)/loss on disposal of items of property, plant and equipment	(88)	–	5,079	–	–	–	4,991

* *Capital expenditure represents additions to property, plant and equipment.*

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

Year ended 31 December 2013	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*
Segment revenue:							
Sales to external customers	68,337	175,270	191,200	238,420	153,280	51,573	878,080
Intersegment sales	12,890	–	–	–	–	–	12,890
Other revenue	595	–	3,094	–	–	–	3,689
	81,822	175,270	194,294	238,420	153,280	51,573	894,659
Reconciliation:							
Elimination of intersegment sales							(12,890)
Revenue							881,769
Segment results	599	6,420	7,014	6,580	5,623	1,658	27,894
Reconciliation:							
Elimination of intersegment results							(4,637)
Interest income							11,720
Finance costs							(20,215)
Profit before tax							14,762
Income tax expense							(12,414)
Profit for the year							2,348
Segment assets	141,477	34,573	2,009,180	56,847	42,820	860	2,285,757
Reconciliation:							
Elimination of intersegment receivables							(9,373)
Corporate and other unallocated assets							74
Total assets							2,276,458
Segment liabilities	29,634	–	785,486	3,712	5,089	19,350	843,271
Reconciliation:							
Elimination of intersegment payables							(9,373)
Total liabilities							833,898
Other segment information:							
Impairment losses reversed in the statement of profit or loss	(514)	–	(2,154)	–	–	–	(2,668)
Depreciation and amortisation	18,886	–	151,394	–	–	–	170,280
Capital expenditure*	1,161	–	118,422	–	–	–	119,583
Change in fair value of derivative financial instruments — Forward currency contracts	–	–	615	–	–	–	615
(Gain)/loss on disposal of items of property, plant and equipment	(291)	–	93	–	–	–	(198)

* *Capital expenditure consists of additions to property, plant and equipment and prepayment for a land lease.*

3. OPERATING SEGMENT INFORMATION *(Continued)*

Business segment information

(a) Revenue by product

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
HDD components	**320,449**	273,139
Hydraulic equipment components	**306,552**	266,663
Automotive components	**301,427**	274,849
Others	**65,595**	63,429
	994,023	878,080

(b) Non-current assets

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Thailand	**65,021**	79,057
Mainland China, Macau and Hong Kong	**846,871**	884,502
	911,892	963,559

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately HK$105 million (2013: HK$90 million) was derived from sales by the HDD components segment to a single customer.

4. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of the Group's revenue, other income and gain is as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of goods and materials	**985,729**	871,187
Rendering of services	**8,294**	6,893
	994,023	878,080
Other income		
Interest income	**20,262**	11,720
Others	**2,124**	3,491
	22,386	15,211
Gain		
Gain on disposal of items of property, plant and equipment	**–**	198
	22,386	15,409

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**709,634**	716,208
Depreciation	**156,009**	167,983
Amortisation of land lease payments	**2,292**	2,297
Auditors' remuneration	**2,580**	2,940
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**168,793**	157,647
Equity-settled share option expense	**9,382**	16,755
Pension scheme contributions	**10,466**	8,589
	188,641	182,991
Minimum lease payments under operating leases:		
Land and buildings	**1,454**	1,846
Equipment	**409**	363
	1,863	2,209
Foreign exchange differences, net	**2,063**	3,951
Research and development costs	**8,896**	6,808
Fair value losses, net:		
Derivative financial instruments — transactions not qualified as hedges:		
Forward currency contracts	**–**	615
Interest income	**(20,262)**	(11,720)
Loss/(gain) on disposal of items of property, plant and equipment	**4,991**	(198)
Provision/(reversal of provision) against inventory obsolescence	**5,992**	(2,668)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**18,460**	15,825
Interest on finance leases	**431**	1,020
Financial arrangement fees	**5,033**	3,370
	23,924	20,215

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong	**–**	260
Current — Elsewhere	**25,672**	10,877
Deferred	**2,712**	1,277
Total tax charge for the year	**28,384**	12,414

8. DIVIDENDS

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Interim dividend — HK1.3 cents (2013: Nil) per ordinary share	**12,210**	–
Special dividend — HK1.3 cents (2013: Nil) per ordinary share	**12,297**	
Proposed final dividend — HK2.4 cents (2013: Nil) per ordinary share	**22,379**	–
	46,886	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 dilutive potential ordinary shares into ordinary shares.

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

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**94,845**	1,827

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**927,722,917**	925,889,553
Effect of dilution — weighted average number of ordinary shares:		
Share options	**7,168,103**	9,736,362
	934,891,020	935,625,915

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost:							
At 1 January 2014	402,185	15,469	1,522,978	62,948	20,279	108,766	2,132,625
Additions	7,661	–	7,072	182	634	107,190	122,739
Transfer in/(out)	32,342	–	17,109	3,753	–	(53,204)	–
Disposals	(36)	(11,906)	(39,228)	(1,906)	(1,042)	(4,706)	(58,824)
Exchange realignment	(9,567)	(243)	(35,056)	(1,529)	(419)	(3,388)	(50,202)
At 31 December 2014	432,585	3,320	1,472,875	63,448	19,452	154,658	2,146,338
Accumulated depreciation:							
At 1 January 2014	(156,114)	(7,062)	(1,047,120)	(51,825)	(15,802)	–	(1,277,923)
Depreciation provided during the year *(note 5)*	(20,770)	(1,184)	(126,643)	(5,539)	(1,873)	–	(156,009)
Disposals — accumulated depreciation	12	4,870	33,656	1,814	1,039	–	41,391
Exchange realignment	3,750	102	24,453	1,265	346	–	29,916
At 31 December 2014	(173,122)	(3,274)	(1,115,654)	(54,285)	(16,290)	–	(1,362,625)
At 31 December 2014							
Cost	432,585	3,320	1,472,875	63,448	19,452	154,658	2,146,338
Accumulated depreciation	(173,122)	(3,274)	(1,115,654)	(54,285)	(16,290)	–	(1,362,625)
Net carrying amount	259,463	46	357,221	9,163	3,162	154,658	783,713
At 31 December 2013							
Cost	402,185	15,469	1,522,978	62,948	20,279	108,766	2,132,625
Accumulated depreciation	(156,114)	(7,062)	(1,047,120)	(51,825)	(15,802)	–	(1,277,923)
Net carrying amount	246,071	8,407	475,858	11,123	4,477	108,766	854,702

The Group's leasehold land included in property, plant and equipment with a net carrying amount of HK$731,000 (2013: HK$756,000) is situated in Hong Kong and is held under a medium term lease.

The freehold land amounting to Thai Baht19,201,000 (equivalent to HK$4,533,000) included in land and buildings is situated in Thailand (2013: Thai Baht19,201,000 (equivalent to HK$4,543,000)).

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of plant and machinery as at 31 December 2014 amounted to HK$44,362,000 (2013: HK$54,202,000).

11. INVENTORIES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Raw materials	**81,329**	66,267
Consumables	**42,683**	44,005
Work in progress	**49,166**	31,103
Finished goods	**100,545**	89,711
	273,723	231,086
Less: Provision against inventory obsolescence	**(28,574)**	(22,582)
	245,149	208,504

12. TRADE RECEIVABLES

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**268,495**	242,615

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 30 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 seeks to maintain 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**84,492**	74,815
1 to 2 months	**72,738**	77,024
2 to 3 months	**55,643**	46,186
3 to 4 months	**28,178**	24,292
4 to 12 months	**27,427**	20,298
Over 1 year	**17**	–
	268,495	242,615

12. TRADE RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**197,307**	192,191
Less than 90 days past due	**58,854**	42,931
90 to 180 days past due	**12,321**	7,456
Over 180 days past due	**13**	37
	268,495	242,615

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. TRADE AND BILLS PAYABLES

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

	As at 31 December	
	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**31,001**	27,194
1 to 2 months	**28,406**	24,030
2 to 3 months	**15,789**	11,142
Over 3 months	**6,733**	7,251
	81,929	69,617

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

MANAGEMENT DISCUSSION AND ANALYSIS

Ten years as a listed company

Last year marked the tenth anniversary of the listing of IPE on the main board of The Stock Exchange of Hong Kong Limited on 1 November 2004. The IPE Group has developed tremendously over the last ten years as is clear from the following business and financial highlights.

Business Highlights

Sales by Business Segment

	Year ended 31 December			
	2004		**2014**	
	HK$'000	*%*	***HK$'000***	***%***
HDD components	215,748	76.6	**320,449**	**32.2**
Hydraulic equipment components	44,150	15.7	**306,552**	**30.9**
Automotive components	325	0.1	**301,427**	**30.3**
Others	21,449	7.6	**65,595**	**6.6**
Total	281,672	100.0	**994,023**	**100.0**

Financial Highlights

	As at 31 December		
	2004	**2014**	**% change**
	HK$'000	***HK$'000***	
	(Restated)		
Sales for the year	281,672	**994,023**	252.9
Profit for the year	53,238	**95,661**	79.7
Total non-current assets	346,602	**912,033**	163.1
Total current assets	211,365	**1,295,367**	512.9
Total current liabilities	188,573	**616,132**	226.7
Net current assets	22,792	**679,235**	2,880.1
Total non-current liabilities	75,621	**102,627**	35.7
Total equity	293,773	**1,488,641**	406.7

In 2004, the Group was very heavily dependent on sales of HDD components which totaled HK$215.7 million and accounted for 76.6% of turnover. At the time of listing we had made some progress in our efforts to diversify our business to reduce our dependence on HDD components sales. Sales of hydraulic equipment components in 2004 was only HK$44.2 million but this was an increase of 135.4% compared to 2003 and accounted for 15.7% of total sales in that year. We were gratified by this success in getting into a new business sector and were thus encouraged in our efforts to market our precision machining capabilities to potential customers in the automotive components industry, which, like the hydraulic equipment components sector, has high barriers to entry.

In 2014, HDD components sales accounted for 32.2% of total sales, hydraulic equipment components 30.9% and automotive components 30.3%. We remain exposed to any setbacks in the HDD sector as this remains an important business segment for us, but today we have a well diversified business mix and are less vulnerable to setbacks in any one business segment.

After listing, IPE Group experienced a period of rapid growth until the onset of the global financial crisis in 2008. Since then, the macro-economic backdrop has been difficult as the global economy lurched from one crisis to another. In addition, two natural disasters in 2011 — the tsunami in Japan in March and severe flooding in Thailand a few months later — adversely impacted our HDD components business.

Notwithstanding the challenging business environment, we were able to continue developing our other business segments. The growth of our automotive components business has been particularly gratifying. Since we started delivery of such components to customers, we have always been able to record half year on half year growth in sales even during the global financial crisis and the Eurozone crisis. At the same time, we have steadily built up and strengthen our financial position. Total assets at the end of 2004 stood at HK$558.0 million, total equity amounted to HK$293.8 million and the net debt totaled HK$78.4 million representing a net debt to equity ratio of 26.7%. At the end of 2014, our total assets had expanded to HK$2,207.4 million, total equity had grown to HK$1,488.6 million and the Group had net cash of HK$213.3 million. The Group's profit performance, however, has been volatile since the global financial crisis not just because of the volatile macro-economic environment but also because profitability has been affected by the downward trend in HDD components prices.

Business Review

After a disappointing 2013, we were cautious about what 2014 would bring. Indeed caution has been a watch word for management ever since 2008. In the event the year turned out to be much better than feared. Total sales for the year amounted to HK$994.0 million, representing an increase of 13.2% and net profit attributable to shareholders recovered to HK$94.8million. As a result we are able to declare a final dividend for the year of HK2.4 cents per share. Together with the interim dividend of HK1.3 cents per share and special dividend for our 10th anniversary of listing of HK1.3 cents per share, total dividend for the year is HK5.0 cents per share.

The personal computer industry recorded its worst performance ever in 2013 and the prognosis at the end of 2013 was not positive. Our sales of HDD components had plummeted over 41.4% in 2013, which was much worse than the overall market decline so we felt that some of our HDD components customers had lost market share. In 2014, our sales of HDD components rose 17.3% so it would seem that some of our customers were able to regain some lost market share.

Hydraulic equipment is used in a wide range of industries and as a result demand for such equipment is sensitive to the overall macro-economic environment, which in 2014 was not buoyant. Our sales of hydraulic equipment components rose 15.0% to HK$306.6 million in 2014 when compared with in 2013. In an uncertain economic environment, buyers tend to look for cost competitive suppliers with a good track record of quality and reliability and our reputation in this regard stood us in good stead last year. However we do not want our products to be so cost competitive that our sales are not profitable. It has not always been possible reconciling some customers' requests for lower prices with our own requirement for a profit and in these cases we have preferred to forego such sales. This policy with regards to sales of course applies to all our business segments.

The worldwide automotive industry has been enjoying a period of relatively strong growth. Annual sales have reached prerecession levels in some regions with the North American market recovering well but in some other regions demand has been weak and some European markets have been mired in a long slump. Growth in China – the world's largest vehicle market – has also slowed. Against this backdrop, sales of automotive products in last year rose 9.7% to HK$301.4 million. In the second half, as in the first half, sales of automotive products recorded a new six month high.

The growth in sales was key to recovery in profits in 2014, but no less important was the work of management to improve efficiency and keep cost increases to a minimum. The increase in sales was actually achieved on a lower headcount, which we have striven to reduce in order to minimize the impact of rising labour costs. In 2014, we further cut the number of employees by 4.8% to 2,813. The effort of management to improve efficiency and reduce costs resulted in a satisfactorily profit margin in 2014.

Prospects

HDDs store digital data and compete against flash memory which is smaller, requires less power and is more rugged. As a result, flash memory has been growing rapidly as a storage medium. However, compared to flash memory, HDDs have greater capacity, lower cost per gigabyte and faster data transfer rates. So HDDs are likely to continue to be a very important storage medium into the foreseeable future.

Demand for digital data storage continue to grow rapidly due to increased demand for personal computers in developing economies, increased demand for enterprise storage driven by a broader deployment of applications which require significant storage capacity, such as enterprise software, data warehousing, data recovery, and data security operations and increased demand due to new consumer electronic applications which require significant digital data storage capability, including digital video and audio recorders, video game platforms, emerging high-definition television applications, and global positioning systems.

Because of the strong growth in demand for digital data storage, we are not negative about the outlook for our HDD components business and we may in the future consider further investment in HDD components manufacture.

As I mentioned above, hydraulic equipment is used in a wide range of industries and as a result demand for such equipment is sensitive to the overall macro-economic environment. Over one-third of hydraulic equipment is used in engineering/construction machinery. Uncertainty abound in the Eurozone and some other economies and there is a distinct slowing in China, particularly in heavy investment and infrastructure spending. Our sales of hydraulic equipment components in the second half of last year fell 3.9% compared to the first half. As a result, we are cautious about the outlook for this part of our business this year. Having said that, it seems that the US economy is expected to grow further this year and a recovery in housing and infrastructure investing would mean greater demand for hydraulic equipment there.

IPE Group has benefitted from the trend to outsource automobile components from suppliers manufacturing in countries with lower costs and we expect this trend to continue at the expense of manufacturers in Europe and other higher cost countries. To reduce costs further, automobile manufacturers are reducing the number of vehicle architectures. This shift toward modular platforms significantly improves product commonality, resulting in savings from the sharing of common components between cars and platforms. For IPE Group, this shift toward modular platforms implies longer production runs which is key to high efficiency and profitability. We planned our Changshu facility in order, inter alia, to capitalize on these two long term trends. In the near term, we look for strong double digit automotive components sales growth this year.

Because caution has been a key management watchword, we have been very deliberate in the execution of our expansion plan at our Changshu facility. Caution is not timidity and we have recently awarded a contract to build Phase II infrastructure even though Phase 1 has not yet started mass production, which is now scheduled to start in May. Changshu Phase I increases our production capacity and also enables us to build CNC machines for the manufacture of the components we produce. We expect the use of CNC machines specifically designed for our production processes and incorporating robots to reduce the labour content in the production process will enable us to mitigate the impact of rising costs.

Financial Review

Sales

In 2014, all the business segments increased and thus the overall sales of the Group increased by 13.2% for the year ended 31 December 2014 when compared with the year ended 31 December 2013.

The table below gives a breakdown of the Group's sales by business segments during the year under review, with comparative figures for 2013:

	2014		2013		
	HK$'000	*%*	*HK$'000*	*%*	*% Change*
HDD components	**320,449**	**32.2**	273,139	31.1	17.3
Hydraulic equipment components	**306,552**	**30.9**	266,663	30.4	15.0
Automotive components	**301,427**	**30.3**	274,849	31.3	9.7
Others	**65,595**	**6.6**	63,429	7.2	3.4
	994,023	**100.0**	878,080	100.0	13.2

Gross Profit

The gross profit margin of the Group was 28.0% in 2014, representing an increase of 9.3 percentage points as compared to 2013. The higher gross profit margin is the result of the cumulative impact of several years of management's work to improve the efficiency of operations.

Apart from improved operating efficiency, a reduced headcount helped mitigate the impact of increase of labour cost due to the substantial increase of minimum wages in the PRC. The weakness of the Renminbi was another factor contributing to the improved profitability.

Other Income and Gain

Other income and gain amounted to HK$22.4 million for the year ended 31 December 2014, representing an increase of HK$7.0 million when compared with the year ended 31 December 2013. The difference was mainly due to the increase of bank interest income in the amount of HK$8.5 million.

Selling and Distribution Expenses

Selling and distribution expenses amounted to HK$28.7 million for the year ended 31 December 2014, an increase of HK$2.0 million or 7.4% when compared to the year ended 31 December 2013. The increase is mainly due to the increase in sales. Selling and distribution expenses represented 2.9% of turnover as compared with 3.0% of turnover in 2013.

Administrative Expenses

During the year, the general and administrative expenses decreased by 1.1% or HK$1.2 million to HK$107.8 million. The decrease was mainly attributable to the decrease of equity-settled share option expenses of HK$7.2 million. Without counting the decrease of this non-cash item, the Group spent HK$6.0 million more on administrative expense due to inflation.

Finance Costs

For the year ended 31 December 2014, overall finance cost increased by HK$3.7 million to HK$23.9 million when compared with the year ended 31 December 2013. The increase of HK$3.7 million was mainly due to the increase of interest expenses and finance arrangement fee in the amounts of HK$2.6 million and HK$1.7 million, respectively which can be offset by the increase of interest income amounting to HK$8.5 million as stated in "Other income and gain".

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was HK$94.8 million for the year ended 31 December 2014, increase from HK$1.8 million for the year ended 31 December 2013.

Details of Charges on the Group's Assets

As at 31 December 2014, the Group had total borrowings of HK$540.6 million (31 December 2013: HK$706.8 million) secured by corporate guarantee made by the Company. The Group had no charges on any of its assets for its banking facilities as at 31 December 2014.

Liquidity, Financial Resources and Financial Ratios

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by its bankers.

As at 31 December 2014, cash per share was HK$0.81 (31 December 2013: HK$0.83) and net asset value per share was HK$1.60 (31 December 2013: HK$1.58), based on the 932,454,135 ordinary shares in issue (31 December 2013: 910,823,943).

During the year under review, the Group recorded a net cash inflow from operating activities of HK$218.3 million (2013: HK$211.5 million). With the purchase of property, plant and equipment of HK$122.0 million, the decrease in non-pledged time deposits and investment deposits in financial products of HK$52.3 million and HK$96.4 million respectively, the Group recorded a net cash inflow from investing activities of HK$39.1 million (2013: net cash outflow of HK$207.4 million).

Total bank borrowings as at 31 December 2014 decreased to HK$540.6 million (31 December 2013: HK$706.8 million) due to partial settlement of the Group's HK$550 million syndicated loan during the year. The Group is in net cash position (cash and bank balances less total bank borrowings) as at 31 December 2014 and 31 December 2013.

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 machineries and production expenses, are denominated in Renminbi, Thai Baht and Hong Kong dollars, fluctuations in exchange rates can materially affect the Group; in particular, a appreciation in value of Renminbi and Thai Baht will have adverse effect the Group's profitability. According, the Group has entered into forward foreign exchange contacts as needed to reduce potential exposure to currency fluctuations.

Human Resources

As at 31 December 2014, the Group had 2,813 employees, a decrease of 4.8% when compared to 2,956 employees as at 31 December 2013.

The Group has a share option scheme in place for selected participants as incentive and reward for their contribution to the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect.

The Group encourages employees to seek training to strengthen their work skills and for personal development. The Group also provides workshops for staff at different levels to enhance their knowledge of work safety and to build up team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

SUPPLEMENTARY INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

The Company repurchased a total of 15,175,000 shares on the Stock Exchange during the year ended 31 December 2014. Details of the repurchases are summarized as follows:

Month of repurchases	**Total number of shares repurchased**	**Repurchase price per share**		**Aggregate consideration**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$'000*
January 2014	1,675,000	0.56	0.55	932
October 2014	4,430,000	0.71	0.65	3,006
November 2014	3,270,000	0.70	0.69	2,295
December 2014	5,800,000	0.69	0.67	3,954
	15,175,000			10,187

Except as disclosed above, 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 recommends the payment of a final dividend of HK2.4 cents per share for the year ended 31 December 2014 (2013: Nil) (the "Proposed Final Dividend"), subject to the approval of the shareholders at the Company's annual general meeting to be held on Monday, 11 May 2015 (the "2015 AGM"). The Proposed Final Dividend will be paid in cash on 28 May 2015 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 19 May 2015.

Closure of Register of Members

The register of members of the Company will be closed during the following periods:

(i) From Thursday, 7 May 2015 to Monday, 11 May 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the 2015 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 6 May 2015 for registration of transfer.

(ii) From Monday, 18 May 2015 to Tuesday, 19 May 2015 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to receive the Proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2015 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 Rules Governing the Listing of Securities on the Stock Exchange during the year under review, save for the followings:

Code Provision A.2.1

The code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, Mr. Chui Siu On assumes the roles of both chairman and chief executive officer of the Company. As one of the founders of the Group, Mr. Chui has extensive experience in the design and manufacture of automation equipment, precision mechanical components and machinery parts. The Board believes that by holding both roles, Mr. Chui will be able to provide the Group with strong and consistent leadership and allows 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.

Code Provision C.1.2

The code provision C.1.2 stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties. During the year under review, all executive directors of the Company were provided with monthly updates of the Group's performance, and the independent non-executive Directors were briefed from time to time when there arose any material change in the financial performance, position and/or prospects of the Group and were provided with management accounts for the review of the interim and annual results. The Board considers that this practice may help to streamline the financial reporting system while being able to highlight any material development of the Group for the attention of the independent non-executive Directors who are not involved in the daily operation of the Group. In any case, the independent non-executive Directors have free access to all management accounts and other information of the Group from time to time at the head office of the Company. The Directors will from time to time review and assess the Company's compliance with this code provision.

Audit Committee

The Audit Committee of the Company, comprising three independent non-executive directors, namely, Dr. Cheng Ngok (Chairman of the Audit Committee), Mr. Choi Hon Ting, Derek and Mr. Wu Karl Kwok, has reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting processes including the review of the Company's consolidated financial statements for the year ended 31 December 2014.

Board of Directors

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

Executive Directors:
Mr. Chui Siu On
Mr. Ho Yu Hoi
Mr. Li Chi Hang
Mr. Lau Siu Chung
Mr. Yuen Chi Ho
Ms. Chiu Tak Chun

Independent Non-Executive Directors:
Dr. Cheng Ngok
Mr. Choi Hon Ting, Derek
Mr. Wu Karl Kwok
Mr. Nguyen, Van Tu Peter

By order of the Board
IPE Group Limited
Chui Siu On
Chairman

Hong Kong, 23 March 2015