IPE GROUP LIMITED

國際精密集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 929)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of Directors (the "Board") of IPE Group Limited (the "Company") would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4&5*	**471,885**	496,370
Cost of sales		**(341,722)**	(365,977)
Gross profit		**130,163**	130,393
Other income	*5*	**7,579**	13,176
Selling and distribution expenses		**(12,142)**	(14,807)
Administrative expenses		**(50,802)**	(52,864)
Other expenses		**(7,943)**	(7,963)
Finance costs	*6*	**(9,429)**	(11,756)
PROFIT BEFORE TAX	*7*	**57,426**	56,179
Income tax expense	*8*	**(12,128)**	(14,774)
PROFIT FOR THE PERIOD		**45,298**	41,405
Attributable to:			
Owners of the Company		**45,142**	41,045
Non-controlling interests		**156**	360
		45,298	41,405
EARNINGS PER SHARE	*9*		
Basic		**HK4.8 cents**	HK4.5 cents
Diluted		**HK4.6 cents**	HK4.5 cents
INTERIM DIVIDEND PER SHARE	*10*	**HK1.5 cents**	HK1.3 cents

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**45,298**	41,405
Other comprehensive income/(expenses):		
Exchange differences on translation of foreign operations	**1,272**	(36,952)
Total comprehensive income for the period	**46,570**	4,453
Attributable to:		
Owners of the Company	**46,428**	4,154
Non-controlling interests	**142**	299
	46,570	4,453

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2015 (Unaudited)** ***HK$'000***	At 31 December 2014 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**776,495**	783,713
Prepaid land lease payments		**92,349**	93,234
Loan to an unlisted equity investment		**1,387**	3,116
Available-for-sale investment		**290**	290
Deposits for purchase of non-current assets		**33,185**	31,539
Deferred tax assets		**122**	141
Total non-current assets		**903,828**	912,033
CURRENT ASSETS			
Inventories	*12*	**257,426**	245,149
Trade receivables	*13*	**235,391**	268,495
Prepayments, deposits and other receivables		**37,735**	27,797
Cash and cash equivalents		**796,087**	753,926
Total current assets		**1,326,639**	1,295,367
CURRENT LIABILITIES			
Trade and bills payables	*14*	**60,464**	81,929
Other payables and accruals		**46,885**	73,823
Tax payable		**8,465**	12,428
Interest-bearing bank and other borrowings		**589,242**	447,952
Total current liabilities		**705,056**	616,132
NET CURRENT ASSETS		**621,583**	679,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,525,411**	1,591,268

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

	Note	At 30 June 2015 (Unaudited) HK$'000	At 31 December 2014 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	92,677
Deferred tax liabilities		**10,458**	9,059
Other payables and accruals		**868**	891
Total non-current liabilities		**11,326**	102,627
Net assets		**1,514,085**	1,488,641
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**93,013**	93,245
Reserves		**1,402,668**	1,369,823
Proposed dividend	*10*	**13,907**	22,379
		1,509,588	1,485,447
Non-controlling interests		**4,497**	3,194
Total equity		**1,514,085**	1,488,641

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**78,867**	124,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(68,381)**	(57,101)
Proceeds from disposal of items of property, plant and equipment	**2,169**	4,406
Decrease in non-pledged time deposits with original maturity of over three months and within one year when acquired	**99,194**	151,486
Decrease in deposits of financial products	**–**	31,420
Loan repayment received from an unlisted equity investment	**1,419**	–
Proceeds from capital contributed from subsidiary's investor	**1,161**	–
Net cash flows from investing activities	**35,562**	130,211
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	**(2,794)**	(933)
Share issue expenses	**(11)**	(6)
Share options exercised	**640**	8,529
New bank loans and other borrowings	**246,365**	414,770
Repayment of bank loans and other borrowings	**(194,292)**	(412,655)
Capital element of finance lease rental payments	**(3,461)**	(6,673)
Dividends paid	**(22,299)**	–
Net cash flows from financing activities	**24,148**	3,032

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS	**138,577**	258,132
Cash and cash equivalents at beginning of period	**654,732**	603,859
Effect of foreign exchange rate changes, net	**2,778**	(17,377)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**796,087**	844,614
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**531,675**	390,899
Non-pledged time deposits with original maturity of less than three months when acquired	**264,412**	453,715
Cash and cash equivalents as stated in the consolidated statement of financial position	**796,087**	844,614

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
(Unaudited)	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Statutory surplus reserve HK$'000	Statutory public welfare fund HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed dividends HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	**93,245**	**398,404**	**(1,116)**	**30,384**	**287**	**7,275**	**33,007**	**238,727**	**662,855**	**22,379**	**1,485,447**	**3,194**	**1,488,641**
Profit for the period	–	–	–	–	–	–	–	–	45,142	–	45,142	156	45,298
Other comprehensive expenses for the period:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	1,286	–	–	1,286	(14)	1,272
Total comprehensive income for the period	–	–	–	–	–	–	–	1,286	45,142	–	46,428	142	46,570
Capital contributed	–	–	–	–	–	–	–	–	–	–	–	1,161	1,161
Issue of shares	100	540	–	–	–	–	–	–	–	–	640	–	640
Share issue expenses	–	(11)	–	–	–	–	–	–	–	–	(11)	–	(11)
Repurchase of shares	(332)	(2,462)	–	–	–	332	–	–	(332)	–	(2,794)	–	(2,794)
Equity-settled share option arrangements	–	231	–	–	–	–	1,946	–	–	–	2,177	–	2,177
Final 2014 dividend declared	–	–	–	–	–	–	–	–	–	(22,299)	(22,299)	–	(22,299)
Transfer to retained profits	–	–	–	–	–	–	–	–	80	(80)	–	–	–
Proposed 2015 interim dividend	–	–	–	–	–	–	–	–	(13,907)	13,907	–	–	–
At 30 June 2015	**93,013**	**396,702***	**(1,116)***	**30,384***	**287***	**7,607***	**34,953***	**240,013***	**693,838***	**13,907**	**1,509,588**	**4,497**	**1,514,085**
At 1 January 2014	91,082	386,126	(1,116)	23,035	287	5,757	44,045	282,885	608,007	–	1,440,108	2,452	1,442,560
Profit for the period	–	–	–	–	–	–	–	–	41,045	–	41,045	360	41,405
Other comprehensive expenses for the period:													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(36,891)	–	–	(36,891)	(61)	(36,952)
Total comprehensive income for the period	–	–	–	–	–	–	–	(36,891)	41,045	–	4,154	299	4,453
Issue of shares	2,406	10,606	–	–	–	–	(4,483)	–	–	–	8,529	–	8,529
Share issue expenses	–	(6)	–	–	–	–	–	–	–	–	(6)	–	(6)
Repurchase of shares	(167)	(766)	–	–	–	167	–	–	(167)	–	(933)	–	(933)
Equity-settled share option arrangements	–	–	–	–	–	–	8,652	–	–	–	8,652	–	8,652
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	–	–	(5,829)	–	5,829	–	–	–	–
Proposed 2014 interim dividend	–	–	–	–	–	–	–	–	(12,132)	12,132	–	–	–
At 30 June 2014	93,321	395,960*	(1,116)*	23,035*	287*	5,924*	42,385*	245,994*	642,582*	12,132	1,460,504	2,751	1,463,255

* *These reserve accounts comprise the consolidated reserves of HK$1,402,668,000 (30 June 2014: HK$1,355,051,000) in the condensed consolidated statement of financial position.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2015

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 hard disk drives, hydraulic equipment, automotive parts 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 2014.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2015.

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

4. 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: (1) Thailand; (2) Malaysia; (3) Mainland China, Macau and Hong Kong; (4) North America; (5) Europe; and (6) Other countries.

Management monitors the results of its 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 from continuing operations except that interest income and finance costs are excluded from such measurement.

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

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

	Six months ended 30 June 2015 (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*
Segment revenue:							
Sales to external customers	**46,647**	**97,616**	**104,439**	**116,499**	**90,267**	**16,417**	**471,885**
Inter-segment sales	**10,539**	**–**	**–**	**–**	**–**	**–**	**10,539**
Other revenue	**446**	**–**	**178**	**–**	**–**	**–**	**624**
	57,632	**97,616**	**104,617**	**116,499**	**90,267**	**16,417**	**483,048**
Reconciliation:							
Elimination at inter-segment sales							**(10,539)**
Revenue							**472,509**
Segment results	**8,362**	**12,289**	**12,903**	**14,530**	**11,153**	**2,029**	**61,266**
Reconciliation:							
Elimination at inter-segment results							**(1,366)**
Interest income							**6,955**
Finance costs							**(9,429)**
Profit before tax							**57,426**
Income tax expense							**(12,128)**
Profit for the period							**45,298**

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

	Six months ended 30 June 2014 (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*
Segment revenue:							
Sales to external customers	43,217	102,538	96,198	130,144	97,571	26,702	496,370
Inter-segment sales	10,232	–	–	–	–	–	10,232
Other revenue	15	–	1,868	–	–	–	1,883
	53,464	102,538	98,066	130,144	97,571	26,702	508,485
Reconciliation:							
Elimination at inter-segment sales							(10,232)
Revenue							498,253
Segment results	5,936	11,820	11,152	14,973	11,311	3,065	58,257
Reconciliation:							
Elimination at inter-segment results							(1,615)
Interest income							11,293
Finance costs							(11,756)
Profit before tax							56,179
Income tax expense							(14,774)
Profit for the period							41,405

5. REVENUE AND OTHER INCOME

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 period.

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods and materials	**471,885**	496,370
Other income		
Bank interest income	**6,955**	11,293
Others	**624**	1,883
	7,579	13,176

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**6,841**	8,894
Interest on finance leases	**22**	281
Financial arrangement fees	**2,566**	2,581
	9,429	11,756

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**341,722**	365,977
Depreciation	**72,472**	78,528
Amortization of land lease payments	**1,138**	1,144
Equity-settled share option expenses	**2,177**	8,652
Auditors' remuneration	**1,310**	1,308
Foreign exchange differences, net	**2,918**	2,846
Loss on disposal of items of property, plant and equipment	**903**	182

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 2014) 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current (charge for the period) — Hong Kong	**–**	1,000
Current (charge for the period) — Elsewhere	**10,710**	12,426
	10,710	13,426
Deferred	**1,418**	1,348
Total tax charge for the period	**12,128**	14,774

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners 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 2015 is based on the profit attributable to owners 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**45,142**	41,045
	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	**931,529**	917,803
Effect of dilution — weighted average number of ordinary shares:		
Share options	**40,200**	558
	971,729	918,361

10. INTERIM DIVIDEND

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend — HK1.5 cents per ordinary share (2014: HK1.3 cents)	**13,907**	12,132

At the Board meeting held on 24 August 2015, the Board declared an interim dividend of HK1.5 cents per ordinary share (2014: HK1.3 cents).

11. PROPERTY, PLANT AND EQUIPMENT

Unaudited	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 2015	432,585	3,320	1,472,875	63,448	19,452	154,658	2,146,338
Additions	3,756	64	485	42	2,469	61,565	68,381
Transfer in/(out)	116,944	–	15,412	5,386	7	(137,749)	–
Disposals	–	–	(41,130)	(1,238)	(1,689)	(1,541)	(45,598)
Exchange realignment	(569)	4	(1,810)	41	11	114	(2,209)
At 30 June 2015	552,716	3,388	1,445,832	67,679	20,250	77,047	2,166,912
Accumulated depreciation:							
At 1 January 2015	(173,122)	(3,274)	(1,115,654)	(54,285)	(16,290)	–	(1,362,625)
Depreciation provided during the period	(12,128)	(23)	(57,155)	(2,307)	(859)	–	(72,472)
Disposals – accumulated depreciation	–	–	39,842	1,209	1,475	–	42,526
Exchange realignment	288	(5)	1,891	(8)	(12)	–	2,154
At 30 June 2015	(184,962)	(3,302)	(1,131,076)	(55,391)	(15,686)	–	(1,390,417)
At 30 June 2015							
Cost	552,716	3,388	1,445,832	67,679	20,250	77,047	2,166,912
Accumulated depreciation	(184,962)	(3,302)	(1,131,076)	(55,391)	(15,686)	–	(1,390,417)
Net carrying amount	367,754	86	314,756	12,288	4,564	77,047	776,495
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

12. INVENTORIES

	At 30 June 2015 (Unaudited) *HK$'000*	At 31 December 2014 (Audited) *HK$'000*
Raw materials	**82,845**	81,329
Consumables	**50,327**	42,683
Work in progress	**40,273**	49,166
Finished goods	**112,555**	100,545
	286,000	273,723
Less: Provision against inventory obsolescence	**(28,574)**	(28,574)
	257,426	245,149

13. 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 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 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 2015 (Unaudited) *HK$'000*	At 31 December 2014 (Audited) *HK$'000*
Within 1 month	**72,419**	84,492
1 to 2 months	**70,045**	72,738
2 to 3 months	**46,343**	55,643
3 to 4 months	**29,970**	28,178
4 to 12 months	**16,614**	27,427
Over 1 year	**–**	17
	235,391	268,495

14. 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:

	At 30 June 2015 (Unaudited) HK$'000	At 31 December 2014 (Audited) HK$'000
Within 1 month	**24,062**	31,001
1 to 2 months	**19,090**	28,406
2 to 3 months	**13,088**	15,789
Over 3 months	**4,224**	6,733
	60,464	81,929

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

BUSINESS REVIEW

The business environment of the Group so far this year has been challenging as one might expect from the large volume of weak macro-economic indicators. Industrial companies have had to cope with soft demand conditions. Manufacturing companies in China have also been faced with rising cost, in particular rising labour costs, and a currency that has been relatively strong. Reflecting the adverse operating environment, the Group recorded total revenue of HK$471.9 million, for the six months ended 30 June 2015, down 4.9% from total revenue of HK$496.4 million in the same period of last year. However, The Group's unaudited net profit amounted to HK$45.3 million for the period under review, an increase of 9.4% compared to unaudited net profit of HK$41.4 million in the same period of last year. The gross profit margin was 27.6%, representing an increase of 1.3 percentage points as compared to 26.3% in the same period of last year. This improvement in gross profit margin is gratifying.

The contraction of the global personal computer ("PC") market, a trend that started in 2012, intensified in the first half of this year after having stabilized in 2014. PC shipments in 2014 were only marginally lower than in 2013 because the worldwide PC market experienced unusually positive growth last year due to the end of Windows XP support. In the first quarter of 2015, PC shipments fell about 5% compared to the same period in 2014. The latest data from two research firms show PC shipments in the second quarter of 2015 falling about 10% compared to the second quarter of 2014. After the Windows XP impact faded out, there has not been any major growth driver to stimulate the replacement of an existing PC. Furthermore, people have delayed buying a new PC as they wait for the latest OS from Microsoft — further denting sales. Given the state of the PC market, the performance of our hard disk drives ("HDD") components business is satisfactory. Our HDD components business recorded a decrease in sales of 6.0% in the first half of this year when compared to the same period of last year.

Hydraulic equipment is used in various industries such as automotive, construction, agriculture, plastic, metallurgical, and oil and petrochemical. Industries that are large users of hydraulic equipment tend to be cyclical, some highly cyclical. As a result, demand for hydraulic equipment is sensitive to the overall macro-economic environment. Due to the slowing macro-economic environment in the PRC and elsewhere, the demand for hydraulic equipment decreased and our sales of hydraulic equipment components fell 18.6% in first half of 2015 when compared to the same period of last year.

Our other main business segment, automotive components, continued to grow but here too, our business was affected by the weak macro-economic environment. During the period under review, sales of our automotive components grew 10.7%. As a result, our automotive components business sector is now our largest business segment accounting for nearly 35% of the Group's turnover.

The Group's turnover by business segments during the interim period is shown below:

	1H 2015		**1H 2014**		
	HK$'000	*%*	*HK$'000*	*%*	*% change*
HDD components	145,121	30.8	154,405	31.1	-6.0
Hydraulic equipment components	130,739	27.7	160,605	32.4	-18.6
Automotive components	164,638	34.9	148,774	30.0	+10.7
Others	31,387	6.6	32,586	6.5	-3.7
	471,885	100.0	496,370	100.0	-4.9

FINANCIAL REVIEW

For the six months ended 30 June 2015, the gross profit margin of the Group was 27.6%, representing an increase of 1.3 percentage points as compared to 26.3% for the corresponding period in 2014. Despite the decrease in turnover, our gross profit margin increased slightly. We have sought to avoid marginally profitable orders and we continuously try to reduce cost and to increase the efficiency of operations. Our work to improve profitability has been obstructed by the long term trend of rising labour cost due to steady and substantial increases in the minimum wage in the PRC.

Other income, which amounted to HK$7.6 million in the first half of 2015, decreased HK$5.6 million when compared to the corresponding period in 2014. The difference was mainly due to the decrease in interest income amounting to HK$4.3 million.

During the period under review, selling and distribution expenses amounted to HK$12.1 million, accounting for 2.6% of the Group's turnover; such expenses were 3.0% of the Group's turnover in the corresponding period of 2014. The decrease was mainly due to our more streamlined operations and the greater use of lower cost shipment by sea instead of by air freight.

During the period under review, the Group's administrative expenses decreased by 3.9% from HK$52.9 million to HK$50.8 million as compared to the corresponding period of 2014. The decrease was due to the decrease of equity-settled share option expenses of HK$6.5 million. Adjusting for this non-cash item, the Group spent HK$4.4 million more on administrative expenses due to cost inflation.

Finance costs decreased by 19.8% or HK$2.3 million to HK$9.4 million for the period under review as compared to the corresponding period in 2014. The decrease of HK$2.3 million was mainly due to the decrease in interest expenses.

For the six months ended 30 June 2015, the Group had a net profit of HK$45.3 million, an increase of 9.4% when compared to the six months ended 30 June 2014.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2015, the Group had total borrowings of HK$589.2 million (31 December 2014: HK$540.6 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 30 June 2015.

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 30 June 2015, cash per share was HK$0.86 (31 December 2014: HK$0.81) and net asset value per share was HK$1.63 (31 December 2014: HK$1.60), based on the 930,129,135 ordinary shares in issue (31 December 2014: 932,454,135 ordinary shares).

During the period under review, the Group recorded a net cash inflow from operating activities of HK$78.9 million (2014: HK$124.9 million). With the purchase of property, plant and equipment of HK$68.4 million and the decrease in non-pledged time deposits of HK$99.2 million, the Group recorded a net cash inflow from investing activities of HK$35.6 million (2014: HK$130.2 million). The total bank borrowings as at 30 June 2015 are HK$589.2 million (31 December 2014: HK$540.6 million). The Group is in a net cash position of HK$206.8 million as at 30 June 2015 (31 December 2014: HK$213.3 million).

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 and 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. Accordingly, the Group has entered into forward exchange contracts to reduce potential exposure to currency fluctuations.

HUMAN RESOURCES

As at 30 June 2015, the Group had 2,570 employees, a decrease of 8.6% or 243 employees when compared to 2,813 employees as at 31 December 2014.

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 team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

PROSPECTS

Although there are a few bright patches, the prospects for economic growth in many countries are clouded. Global economic growth is expected to remain anaemic. As a result, the business environment of the Group is likely to remain challenging.

In the PC market, the sharp fall in shipments is expected to ameliorate in the second half. Demand for PCs in the emerging markets, where the potential for growth is greatest because of low penetration of PCs, is likely to be restrained by the strength of the US dollar against local currencies. Demand in mature markets, which are practically saturated, could benefit from the launch of Windows 10. However, the impact of Windows 10 is likely to be gradual as PC users can take advantage of the free upgrade offered by Microsoft rather than buy a replacement PC. Thus, the prospect for HDD components sales growth is not encouraging, but we expect sales in the second half of 2015 will be maintained at around the level recorded in the first half.

Our sales of hydraulic equipment components have been hit by the weak demand for heavy hydraulic machinery. The impact of the weak market has been magnified by our customers running down inventory.

Demand for heavy hydraulic machinery remains weak and some companies are expected to exit the market. Consolidation in the market would be a healthy development for the survivors in the long term. In the short term, as inventory levels are run down, we may have seen the worst but we are not optimistic that things will turn for the better in the second half of this year.

The highest growth visibility remains in our automotive components business and this was one of the main reasons for our decision to build a new manufacturing facility at Changshu. The first stage of our Changshu factory is completed. We are now waiting for customers to approve our new factory for production and will start manufacture automotive components at our Changshu factory shortly. We expect substantial growth in automotive components sales in the next few years as production at Changshu ramps up.

Over the years, IPE Group has established itself as a reliable manufacturer of high quality precision components. We have built a portfolio of leading industry names as customers initially attracting them by our competitive pricing made possible by low labour cost. Labour cost in China are no longer low. To mitigate the impact of rising cost we have worked hard to improve the efficiency of our operations and the productivity of our plant and machinery. We look to further improve productivity by greater automation and we have been developing machinery for this purpose. Such robotic machinery will enable us to produce higher volumes with lower labour input.

SUPPLEMENTARY INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

The Company repurchased a total of 3,325,000 shares of the Company on the Stock Exchange during the six months ended 30 June 2015. Such shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

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*
April 2015	3,325,000	0.86	0.81	2,794

Except as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

Interim Dividend

The Board recommends the payment of an interim dividend of HK$0.015 per share for the six months ended 30 June 2015 (2014: HK$0.013). The interim dividend will be paid in cash on Friday, 18 September 2015 to the shareholders whose names appear on the Register of Members of the Company as at the close of business on Thursday, 10 September 2015.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 9 September 2015 to Thursday, 10 September 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2015, unregistered holders of shares of the Company should ensure that all share transfer documents 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 for registration not later than 4:30 p.m. on Tuesday, 8 September 2015.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period under review, save for the following deviation:

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.

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 the accounting principles and practices adopted by the Group and discussed internal control and financial reporting processes including the review of the Company's interim report for the six months ended 30 June 2015.

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, 24 August 2015