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 2015

FINANCIAL HIGHLIGHTS

1. Revenue for the year decreased by 11.8% to HK$877,194,000 (2014: HK$994,023,000).

2. Gross profit margin for the year decreased to 27.9% (2014: 28.0%).

3. Profit for the year decreased by 10.3% to HK$85,799,000 (2014: HK$95,661,000).

4. Basic earnings per share for the year was HK9.26 cents (2014: HK10.22 cents).

5. Net asset value per share as at 31 December 2015 was HK$1.55 (2014: HK$1.60).

6. The Group was in a net cash position (i.e. cash and bank balances less total bank borrowings) as at 31 December 2015 in the amount of HK$216 million or equivalent to HK23.22 cents per share (2014: HK$213 million or HK22.87 cents per share).

7. Proposed final dividend of HK2.0 cents for the year (2014: HK2.4 cents).

* *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 2015, together with the comparative results for the previous year:

Consolidated Statement of Profit or Loss

		Year ended 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3&4*	**877,194**	994,023
Cost of sales		**(632,269)**	(715,626)
Gross profit		**244,925**	278,397
Other income	*4*	**12,571**	22,386
Selling and distribution expenses		**(23,013)**	(28,693)
Administrative expenses		**(101,323)**	(107,756)
Other expenses		**(12,047)**	(16,365)
Finance costs	*6*	**(19,133)**	(23,924)
PROFIT BEFORE TAX	*5*	**101,980**	124,045
Income tax expense	*7*	**(16,181)**	(28,384)
PROFIT FOR THE YEAR		**85,799**	95,661
Attributable to:			
Owners of the Company		**86,093**	94,845
Non-controlling interests		**(294)**	816
		85,799	95,661
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic		**HK9.26 cents**	HK10.22 cents
Diluted		**HK8.76 cents**	HK10.15 cents

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**85,799**	95,661
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(101,463)**	(44,232)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(101,463)**	(44,232)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(15,664)**	51,429
Attributable to:		
Owners of the Company	**(15,013)**	50,687
Non-controlling interests	**(651)**	742
	(15,664)	51,429

Consolidated Statement of Financial Position

		As at 31 December	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
			(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**732,956**	783,713
Prepaid land lease payments		**86,046**	93,234
Loan to an unlisted equity investment		**59**	3,116
Available-for-sale investments		**290**	290
Deposit for purchase of non-current assets		**36,246**	31,539
Deferred tax assets		**1,815**	141
Total non-current assets		**857,412**	912,033
CURRENT ASSETS			
Inventories	*11*	**223,444**	245,149
Trade receivables	*12*	**216,721**	268,495
Prepayments, deposits and other receivables		**26,080**	27,797
Cash and cash equivalents		**697,036**	753,926
Total current assets		**1,163,281**	1,295,367
CURRENT LIABILITIES			
Trade and bills payables	*13*	**39,756**	81,929
Other payables and accruals		**46,473**	73,823
Tax payable		**7,023**	12,428
Interest-bearing bank and other borrowings		**481,483**	447,952
Total current liabilities		**574,735**	616,132
NET CURRENT ASSETS		**588,546**	679,235
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,445,958**	1,591,268

Consolidated Statement of Financial Position *(Continued)*

	Note	As at 31 December 2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	92,677
Deferred tax liabilities		**9,154**	9,059
Other payables and accruals		**744**	891
Total non-current liabilities		**9,898**	102,627
Net assets		**1,436,060**	1,488,641
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**92,815**	93,245
Reserves		**1,339,541**	1,392,202
		1,432,356	1,485,447
Non-controlling interests		**3,704**	3,194
Total equity		**1,436,060**	1,488,641

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 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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 for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the 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 2015	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	77,506	177,018	187,219	236,617	167,394	31,440	877,194
Intersegment sales	13,960	–	54	–	–	–	14,014
Other income	24	–	1,181	–	–	–	1,205
	91,490	177,018	188,454	236,617	167,394	31,440	892,413
Reconciliation:							
Elimination of intersegment sales							(14,014)
Revenue and other income							878,399
Segment results	12,386	22,044	23,241	29,468	20,780	3,908	111,827
Reconciliation:							
Elimination of intersegment results							(2,080)
Interest income							11,366
Finance costs							(19,133)
Profit before tax							101,980
Segment assets	97,312	30,465	1,813,394	55,485	36,802	5,448	2,038,906
Reconciliation:							
Elimination of intersegment receivables							(18,372)
Corporate and other unallocated assets							159
Total assets							2,020,693
Segment liabilities	21,548	–	565,917	3,616	1,339	10,585	603,005
Reconciliation:							
Elimination of intersegment payables							(18,372)
Total liabilities							584,633
Other segment information:							
Impairment losses (reversed)/recognised in the statement of profit or loss	(722)	–	5,617	–	–	–	4,895
Depreciation and amortisation	13,997	–	128,854	–	–	–	142,851
Capital expenditure*	1,658	–	174,345	–	–	–	176,003
Change in fair value of derivative financial instruments — Forward currency contracts	–	–	–	1,265	–	–	1,265
(Gain)/loss on disposal of items of property, plant and equipment	(422)	–	2,263	–	–	–	1,841

* *Capital expenditure consists of deposit of property and additions to property, plant and equipment.*

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 income	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 and other income							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
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)*

Business segment information

(a) Revenue by product

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
HDD components	**256,011**	320,449
Hydraulic equipment components	**244,809**	306,552
Automotive components	**317,154**	301,427
Others	**59,220**	65,595
	877,194	994,023

(b) Non-current assets

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Thailand	**47,526**	65,021
Mainland China, Macau and Hong Kong	**808,071**	846,871
	855,597	911,892

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$97 million (2014: HK$105 million) was derived from sales by the HDD components segment to a single customer.

4. 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 year.

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

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods and materials	**870,849**	985,729
Rendering of services	**6,345**	8,294
	877,194	994,023
Other income		
Interest income	**11,366**	20,262
Others	**1,205**	2,124
	12,571	22,386

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**627,374**	709,634
Depreciation	**140,609**	156,009
Amortisation of land lease payments	**2,242**	2,292
Research and development costs: current year expenditure	**9,695**	8,896
Auditors' remuneration	**2,060**	2,580
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**158,939**	168,793
Equity-settled share option expense	**1,473**	9,382
Pension scheme contributions	**16,443**	10,466
	176,855	188,641
Minimum lease payments under operating leases	**1,285**	1,863
Foreign exchange differences, net	**443**	2,063
Fair value losses, net:		
Derivative financial instruments — transactions not qualified as hedges:		
Forward currency contracts	**1,265**	–
Interest income	**(11,366)**	(20,262)
Loss on disposal of items of property, plant and equipment	**1,841**	4,991
Provision against inventory obsolescence	**4,895**	5,992

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**14,099**	18,460
Interest on finance leases	**22**	431
Financial arrangement fees	**5,012**	5,033
	19,133	23,924

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong	**–**	–
Current — Elsewhere	**17,758**	25,672
Deferred	**(1,577)**	2,712
Total tax charge for the year	**16,181**	28,384

8. DIVIDENDS

	Year ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Interim dividend — HK1.5 cents (2014: HK1.3 cents) per ordinary share	**13,908**	12,210
Special dividend — Nil (2014: HK1.3 cents) per ordinary share	**–**	12,297
Proposed final dividend — HK2.0 cents (2014: HK2.4 cents) per ordinary share	**20,915**	22,379
	34,823	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	
	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**86,093**	94,845

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**929,372,885**	927,722,917
Effect of dilution — weighted average number of ordinary shares:		
Share options	**53,706,370**	7,168,103
	983,079,255	934,891,020

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improve– ments *HK$'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	6,709	64	515	2,710	2,469	127,290	139,757
Transfer in/(out)	132,760	9,512	48,095	10,386	444	(201,197)	–
Disposals	–	–	(60,530)	(2,880)	(1,868)	(3,172)	(68,450)
Exchange realignment	(31,322)	(490)	(85,462)	(3,971)	(915)	(5,060)	(127,220)
At 31 December 2015	540,732	12,406	1,375,493	69,693	19,582	72,519	2,090,425
Accumulated depreciation:							
At 1 January 2015	(173,122)	(3,274)	(1,115,654)	(54,285)	(16,290)	–	(1,362,625)
Depreciation provided during the year *(note 5)*	(26,850)	(999)	(106,583)	(4,439)	(1,738)	–	(140,609)
Disposals — accumulated depreciation	–	–	58,226	2,845	1,656	–	62,727
Exchange realignment	11,320	118	67,677	3,112	811	–	83,038
At 31 December 2015	(188,652)	(4,155)	(1,096,334)	(52,767)	(15,561)	–	(1,357,469)
At 31 December 2015							
Cost	540,732	12,406	1,375,493	69,693	19,582	72,519	2,090,425
Accumulated depreciation	(188,652)	(4,155)	(1,096,334)	(52,767)	(15,561)	–	(1,357,469)
Net carrying amount	352,080	8,251	279,159	16,926	4,021	72,519	732,956
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

The Group's leasehold land included in property, plant and equipment with a net carrying amount of HK$707,000 (2014: HK$731,000) 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$4,130,000) included in land and buildings is situated in Thailand (2014: Thai Baht19,201,000 (equivalent to HK$4,533,000)).

There was no property, plant and equipment held under finance leases being included in the total amount of plant and machinery as at 31 December 2015 (2014: HK$44,362,000).

11. INVENTORIES

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Raw materials	**77,263**	81,329
Consumables	**38,813**	42,683
Work in progress	**39,032**	49,166
Finished goods	**101,805**	100,545
	256,913	273,723
Less: Provision against inventory obsolescence	**(33,469)**	(28,574)
	223,444	245,149

12. TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**216,721**	268,495

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	
	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**71,463**	84,492
1 to 2 months	**67,264**	72,738
2 to 3 months	**40,861**	55,643
3 to 4 months	**23,383**	28,178
4 to 12 months	**12,713**	27,427
Over 1 year	**1,037**	17
	216,721	268,495

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	
	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**169,091**	197,307
Less than 90 days past due	**38,617**	58,854
90 to 180 days past due	**7,861**	12,321
Over 180 days past due	**1,152**	13
	216,721	268,495

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	
	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**17,261**	31,001
1 to 2 months	**14,674**	28,406
2 to 3 months	**5,933**	15,789
Over 3 months	**1,888**	6,733
	39,756	81,929

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

14. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Ever since the global financial crisis, governments the world over have pursued policies to stimulate economic growth, regrettably with limited success. They were generally no more successful in 2015 than in previous years despite cuts in interest rates and central banks' quantitative easing. Thus the economic environment last year was hardly conducive to strong demand conditions.

Apart from soft demand conditions making for a keenly competitive business environment, industrial companies in China such as our Group have also been faced with rising labour cost, which magnify the impact of weak demand on profit margins. In 2015, our Group recorded total sales of HK$877.2 million and net profit for the year of HK$85.8 million, representing a decline of 11.8% and 10.3%, respectively as compared to 2014.

Our group sales decreased by HK$116.8 million or 11.8% in 2015 mainly due to lower sales of HDD components and of hydraulic equipment components (sales in both these segments fell by 20.1%) offset in part by a 5.2% increase in sales of automotive components. As a result of this increase in automotive components sales, automotive components is now our Group's largest business segment accounting for 36.2% of total sales.

According to International Data Corporation, one of the world's leading provider of market intelligence for the information technology market, worldwide PC shipments declined 10.6% in 2015 compared to 2014, the largest year-on-year decline in history. Worldwide HDD shipments in 2015 declined 16.7%. Our Group's sales of HDD components in 2015 amounted to HK$256.0 million, representing a decrease of 20.1% as compared with 2014. We are disappointed that our drop in HDD components sales was somewhat larger than the overall industry decline.

It is sheer coincidence that our sales of hydraulic equipment components in 2015 also decreased 20.1% when compared to sales in 2014. Hydraulic equipment is used in various industries and investment in hydraulic equipment is highly sensitive to the overall macro-economic environment. Given the global macro-economic environment, we are satisfied with the sales of this segment which totaled HK$244.8 million in 2015. Sales could have been higher had we chosen not to reject orders that were only marginally profitable.

Sales of automotive components continued to grow in 2015 and in doing so became the largest business segment of the Group. In 2015, our sales of automotive components rose 5.2% to HK$317.2 million, which was very satisfactory given the weak global macro-economic environment.

Since the global financial crisis, our Group has focused on profitability more than on maximizing sales. Given the inexorable trend of rising labour costs, we have sought to increase productivity, by revising production processes and increased automation. Our focus on automation led us to develop our own robotic equipment which we believe has wide application beyond our own production processes. We started small scale production of our robots during the year and plans for large scale production have now been finalized and are being implemented with the placement of orders for large scale production equipment.

Because of our focus on profitability, our net profit margin was raised to 9.8% in 2015 from 9.6% in 2014. Net profit for the year amounted to HK$85.8 million, a decrease of only 10.3% from 2014 despite the larger drop in sales. We consider this a satisfactory result in the light of the business environment last year and given the operating leverage in our business.

In December 2015, our Group was the subject of an unexpected voluntary conditional cash offer on behalf of Baoan Technology Company Limited ("Baoan") to acquire all the issued shares in the share capital of the Company. By acquiring IPE shares in the market, Baoan is now the single largest shareholder of the Company owning 34.36% of the issued share capital of the Company. We are pleased to welcome to the Board Mr. Zeng Guangsheng and Mr. Wu Kaiping, who were nominees of Baoan and who were appointed as executive directors of the Company with effect from 18 March 2016.

PROSPECTS

Macro-economic indicators suggest that the prospects for economic growth in 2016 remain lackluster. It would seem that the global economic picture in 2016 is as challenging as in 2015.

The decline in Personal Computer ("PC") volume since early 2012 is expected to linger through 2016, but shipments are expected to stabilize in the second half of 2016 as PCs remain an indispensable part of the landscape. We expect PC demand in mature markets will be supported by the migration to Windows 10. In developing economies, the low level of penetration of PCs augurs well for PC demand subject to satisfactory economic conditions in those economies. Meanwhile in today's connected world demand for data storage continue to grow strongly. We therefore consider it reasonable to expect HDD components sales in 2016 will be maintained at around the level recorded in 2015.

Our sales of hydraulic equipment components have been hit by the weak demand for heavy hydraulic machinery. Furthermore, we will continue to focus on profitability rather than on maximizing sales. In 2016, we expect to eliminate most if not all of our marginally profitable product lines. As a result, it is likely that sales will fall further. In 2015, we started to produce some semi-finished and finished products, namely directional valves, which we gave to certain customers for testing. We believe that such valves and related products will be accepted and expect customers to start placing orders for them in 2016. Such hydraulic equipment products are able to command a higher profit margin than simple components and the widening of our hydraulic product mix will assist the Group in seizing market opportunities upon recovery of this business segment.

Our automotive components business remains the highest growth visibility segment of the Group. We have now started the manufacture of automotive components in our Changshu factory and we look to ramp up production as the year progresses. We are manufacturing in Changshu components that we have not produced before. We also have a number of other new projects in the pipeline that we expect to produce in Changshu.

As mentioned earlier, we believe the robots we developed for use in our own production processes have wide application. Industrial robots are now used to perform jobs with greater accuracy and reliability than humans. They are also employed for jobs which are too dirty, too repetitive, dangerous or otherwise unsuitable for humans. The use of industrial robots is growing as rising labour cost, labour availability and productivity, safety and other considerations encourage even small and medium size enterprises to resort to using robots. Hitherto, small and medium scale enterprises have not been widespread users of robots because of robots' high costs. Our robots will be cost competitive. Small scale production of our robots has commenced. Just to reiterate, we have just started to implement our plan for large scale production with the placement of procurement orders for certain manufacturing equipment.

We are very confident of the long-term prospects of our robot business and see it as the key to explosive growth in Group profit in the years ahead. We believe that all our existing shareholders will share our confidence in the bright prospects of our Group.

FINANCIAL REVIEW

Sales

Sales of HDD components and hydraulic equipment components fell by 20.1% for the year ended 31 December 2015 when compared with the year ended 31 December 2014. Sales of automotive components rose 5.2% continuing this business segment uninterrupted record of year on year increase in sales.

The table below gives a breakdown of the Group's sales by business segments during the year under review, with comparative figures for 2014:

	2015		2014		
	HK$'000		*HK$'000*		**Change**
HDD components	**256,011**	**29%**	320,449	32%	-20.1%
Hydraulic equipment components	**244,809**	**28%**	306,552	31%	-20.1%
Automotive components	**317,154**	**36%**	301,427	30%	+5.2%
Others	**59,220**	**7%**	65,595	7%	-9.7%
Total	**877,194**	**100%**	994,023	100%	-11.8%

Gross Profit

Although our overall sales decreased by 11.8% for the year ended 31 December 2015 compared with sales in the year ended 31 December 2014, the gross profit margin of the Group was 27.9% in 2015, representing only a very slight decrease of 0.1 percentage point as compared to 2014. We were able to maintain the gross profit margin level because we turned away low profitability orders and because of management's focus on improving the efficiency of operations by measures such as the recycling of tooling and reduction of headcount.

Other Income

Other income amounted to HK$12.6 million for the year ended 31 December 2015, representing a decrease of HK$9.8 million when compared with the year ended 31 December 2014. The difference was mainly due to the decrease of bank interest income in the amount of HK$8.9 million.

Selling and Distribution Expenses

Selling and distribution expenses amounted to HK$23.0 million for the year ended 31 December 2015, a decrease of HK$5.7 million when compared to the year ended 31 December 2014. The decrease is mainly due to decrease in sales and in relevant air freight charges. Selling and distribution expenses represented 2.6% of turnover as compared with 2.9% of turnover in 2014.

Administrative Expenses

During the year, general and administrative expenses decreased by 6.0% or HK$6.4 million to HK$101.3 million. The decrease was mainly attributable to the decrease of equity-settled share option expenses of HK$9.5 million which was offset by professional fees totaling HK$4.8 million incurred in connection with Baoan's conditional cash offer in December.

Finance Costs

For the year ended 31 December 2015, overall finance cost decreased by HK$4.8 million to HK$19.1 million when compared with the year ended 31 December 2014. The decrease of HK$4.8 million was mainly due to the decrease of interest expenses in the amount of HK$4.4 million.

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company was HK$86.1 million for the year ended 31 December 2015, a decrease of HK$8.8 million from the year ended 31 December 2014.

DETAILS OF CHARGES ON THE GROUP'S ASSETS

As at 31 December 2015, the Group had total borrowings of HK$481.5 million (31 December 2014: HK$540.6 million) secured by corporate guarantee given by the Company. The Group had no charge on any of its assets for its banking facilities as at 31 December 2015.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIOS

As at 31 December 2015, cash per share was HK$0.75 (31 December 2014: HK$0.81) and net asset value per share was HK$1.55 (31 December 2014: HK$1.60), based on the 928,154,135 ordinary shares then in issue (31 December 2014: 932,454,135).

During the year under review, the Group recorded a net cash inflow from operating activities of HK$201.3 million (2014: HK$218.3 million). With the purchase of property, plant and equipment of HK$116.3 million, the decrease in non-pledged time deposits and investment deposits in financial products of HK$89.1 million and HK$1.8 million respectively, the Group recorded a net cash outflow from investing activities of HK$18.9 million (2014: net cash inflow of HK$39.1 million).

Total bank borrowings as at 31 December 2015 decreased to HK$481.5 million (31 December 2014: HK$540.6 million) due to partial repayment 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 2015 and has maintained a net cash position for several years.

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, an appreciation in value of Renminbi and Thai Baht will have adverse effect on the Group's profitability.

HUMAN RESOURCES

As at 31 December 2015, the Group had 2,217 employees, a decrease of 21.2% 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.

SUPPLEMENTARY INFORMATION

Purchase, Redemption or Sale of Listed Securities of the Company

The Company repurchased a total of 6,300,000 shares on the Stock Exchange during the year ended 31 December 2015. Such shares were cancelled upon repurchase. Details of the repurchases are summarized as follows:

Month of repurchases	Total number of shares repurchased	Repurchase price per share		Aggregate consideration (including transaction costs)
		Highest	Lowest	
		HK$	*HK$*	*HK$'000*
April 2015	3,325,000	0.86	0.81	2,805
July 2015	2,975,000	0.88	0.72	2,443
	6,300,000			5,248

The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate obtained from shareholders received at the annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

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 a proposed final dividend of HK2.0 cents per share for the year ended 31 December 2015 (the "Proposed Final Dividend") (2014: HK2.4 cents), subject to the approval of the shareholders at the Company's annual general meeting to be held on Monday, 23 May 2016 (the "2016 AGM"). The Proposed Final Dividend will be paid in cash on 10 June 2016 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 31 May 2016.

Closure of Register of Members

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

(i) From Thursday, 19 May 2016 to Monday, 23 May 2016 (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 2016 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, 18 May 2016 for registration of transfer.

Closure of Register of Members *(Continued)*

The register of members of the Company will be closed during the following periods: *(Continued)*

(ii) From Monday, 30 May 2016 to Tuesday, 31 May 2016 (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, 27 May 2016 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 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 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 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
Mr. Zeng Guangsheng
Mr. Wu Kaiping

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, 29 March 2016