

## Chairman's Statement

"Quality is  
the Key  
to  
Success"



Dear Shareholders,

IPE is a global manufacturer of high precision metal components primarily for the HDD, hydraulic equipment and automotive industry.

Thanks for the broadening application of HDD demand in consumer electronic products such as DVD recorders and game consoles and the PC replacement market, sales of HDD components grew by 43% in year 2006. In addition, IPE benefits from the long-term outsourcing trend of hydraulic and automotive parts industry in China and in year 2006 we recorded a strong growth of revenue derived from these two sectors by 45% and 997% respectively.

Since its initial public offering in November 2004, the Group has made very substantial capital investment of approximately HK\$606,047,000 in building new production facilities in Guangzhou, China and acquisition of new plant and equipment to improve production efficiency and capacity. Most new facilities have been completed in year 2006 and have been gradually put to use. Accordingly, the Group now has more resources to cater for new or potential customers' project need in the coming years.

In year 2006, 80% of the Group's turnover was derived from HDD industry and the remaining 20% was mainly derived from hydraulic sector and automotive sector. In view of the growing projects being developed for hydraulic customers and auto makers, the growth of hydraulic and automotive components business is expected to be very significant in the coming years. We will not be surprised that sales of hydraulic equipment components and automotive components business will grow significantly and each of the HDD components, hydraulic equipment components and automotive components sectors is expected to share one third of the Group's total turnover in the near future.

IPE's sales of precision components to Mainland China customers had increased by 198% to HK\$53,965,000 in 2006 (2005: HK\$18,136,000). In view of the continuous economic growth in Mainland China and the lack of tier-1 domestic suppliers of high precision components to auto industry, hydraulic industry and HDD industry in China, we believe there are substantial growth potential for precision components demand in Mainland China in the coming years.

In year 2006, the Group had continuously strengthened its own moulds workshop, die-casting workshop, plastic injection workshop and heat treatment facilities and had developed new forging facilities with an aim to provide a one-stop service for our multi-national customers.

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Apart from supplying tailor-made precision components to multi-national customers, the Group is also working on projects supplying semi-assembled parts or fully-assembled parts to customers. The Group will continue to grow organically and gain market share in the markets in which it operates and we will also make strategic move to develop some related new business to further diversify our business range and customer base.

Other than our continuous business expansion externally, we have also adjusted our production floor layout and internal management organization to meet with our customers' audit and technical requirements and in order to reduce overall overhead costs and improve production efficiency. Besides we are working with SAP China and its partner Tsinghua Unisplendour Corporation Limited to enhance our management efficiency and functional control to cope with any change in future economic development.

We have been devoting to train and recruit talents and expertise to meet with the rapid changing business environment and we treat our management team the most valuable intangible assets as they are the greatest driving force for the future development of the Group. On behalf of the Board, I express our heart-felt gratitude towards our management team and staff for their support and contributions and also thank our business associates, investors, shareholders for their continuous support and trust over the years. We will endeavor to capture any opportunity arising from industry consolidation in order to expand our business presence and to seek steady future growth in the coming years.

**CHUI SIU ON**

*Chairman*

Hong Kong  
16 April 2007