

## CHAIRMAN'S STATEMENT

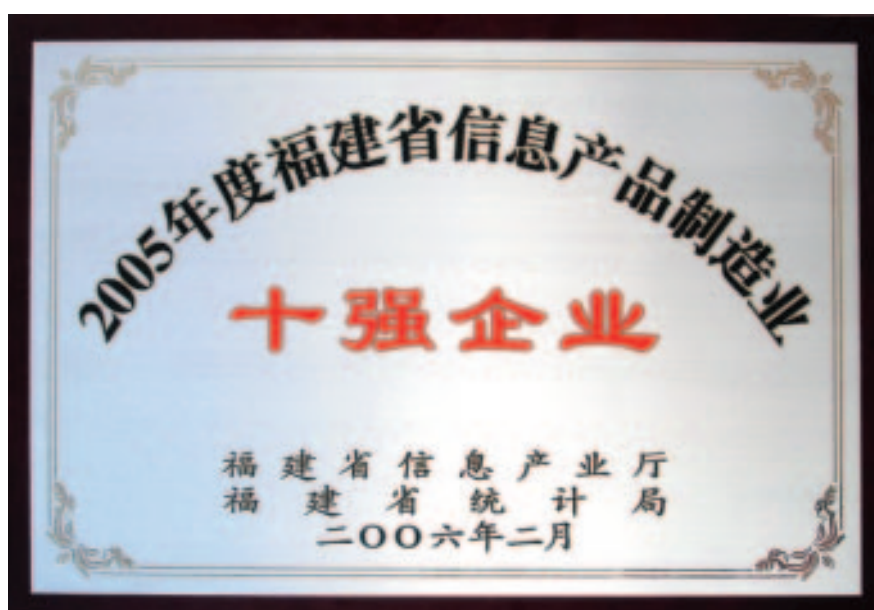
In 2005, the operational environments in China faced severe challenges from both the escalating price of raw materials intensified by expensive oil and the fluctuations of the market. With the strong competition of international brands handset since the second half of 2004, almost all of the domestic handset manufacturers suffered losses. In the first half of 2005, domestic handsets experienced continuous decrease in the market share, while enterprises faced great pressure. Facing such a market situation, the Group overcame numerous difficulties and recorded continuous growth in its performance, by strengthening the expansion of marketing business and development of product technology. In the second half of 2005, domestic handsets starts to pick up its market share and the Group's performance is further improved.

The Company generated a total sales revenue of HK\$1,112 million in 2005, representing a 36% increase as compared to HK\$816 million of last year.

The profit for the whole year amounted to HK\$124.8 million, up 27% from HK\$98.33 million of last year.

In 2005, the Group maintained a stable growth and rapid increase in its production scale and headcount from 4600 employees of last year to nearly 7000 employees. It was granted as "Top Ten Information Product Manufacturers of Fujian in 2005" by Fujian Industry Department and Fujian Statistics Bureau and highly praised by the confreres.

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The other Board members and I are on guard against any potential barriers and, with a sense of responsibility to our shareholders and employees, we always strengthen and develop present high value-added products and proactively develop other more profitable products. In 2005, we strengthened

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the technology transformation in production and reduced costs by improving the autoimmunization of production. We enhanced the product R&D division's efforts to actively develop new products with the purpose to maintain our leading position in the market. We also hired professional consultants to integrate our human resources management so that the enterprise management would accommodate the Group's overall development.

### DEVELOPMENT TARGETS

The Group's main products enjoy high popularity and three major advantages:

- (a) "Scale", powerful production bases and strong production teams;
- (b) "Expertise", the in-depth knowledge of and excellent technical control over the products;
- (c) "Efficient", an outstanding image of meeting the customer's demands within a short period. In addition, the Group enjoys competitive advantages in respect of technology, talents and stable prestige customer groups.

The rise of technical development capacity of IMD products: based on the present technologies, new technologies including color coating, plasma surface treatment, leather incrustation, multi-color automatic printing, and alloys with various textures can be integrated and utilized comprehensively to generate surface decoration effects appropriate for the customers' individualized demand. These technologies have been extensively applied in MP3, MP4, micro wave ovens, induction cookers, mechanical machines, auto electronics products and interior trims as well as communication products, household electronic and electrical appliances, providing more fashionable and human surface decoration results for complete machine products and creating higher values for the customers.

**The upgrade of the customer group:** the Group not only attracts the domestic big customer groups, such as Haier, Lenovo, Midea, Changhong, TCL, Xoceco, Huawei, ZTE Corporation, UTStarcom and Bird, but also strengthens its relationship with prestigious world-class brands, like Cisco Systems, Zojirushi of Japan, Pace of Britain, Philips, Sony, Samsung, GN Netcom, and so on.

**The improvement of the overall scale of the production:** production base in Shishi experienced a rapid progress while Shenzhen and Xiamen bases are of large scales. The Group has been listed in "Top 100 China Manufacturers of Electronic Parts" in the twelve consecutive years. It made a great leap from the 49th in 2004 to the 36th in 2005 and became one of the "Top Ten Manufacturers of Fujian Information Products in 2005".

For this purpose, the Group based on its circumstances, market positioning and potential customers in discussion, has determined the development targets of the Group in the coming five years, until 2010:

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- i) the group's sales revenue maintains a double-digit growth year on year;
- ii) the main products IMD, will become international well-known brand. The Group will enhance its technology development center and evaluation center and will gradually achieve the automatization of production;
- iii) the Group will provide household electronic and electrical appliances and communications products with one-step supplementary services of surface decoration products, ironware products and other accessories with superior quality, wide variety and strong development ability. Digital video products will enjoy higher popularity in both the domestic and overseas markets.

### ADDITIONAL MANUFACTURING FACILITIES

- (a) From the end of 2005 to the beginning of 2006 four workshops and dormitories and a comprehensive technology building covering an area of 16,000 square meters have been under construction in Shishi production base, which is expected to be completed and started production in May 2006.
- (b) The Group will introduce multicolor automatic printing machines, which will significantly improve the production efficiency and color printing qualities and enrich color effects.
- (c) The Group will enlarge the oxidation workshop to improve the surface treatment effects of aluminum alloy products and meet the requirement of enlarged production.

04/05

Based on the upgrade of hardware equipment, the Group will continue to integrate its internal control by (i) strengthening human resource to improve the business and technology qualities and meet the demands of the expansion of large-scale customers both in domestic and international market, (ii) enhancing quality management, maintaining high quality management system and building Tongda's distinguished brands, and strengthening logistic management, persistently reducing production costs and further improving economy result.

### PAST AND FUTURE

The market is a touchstone. In the past few years, the fluctuation in the market intensified market competition, but the Company still managed to achieve a relatively rapid growth, which justified its operation guidelines and indicated that the Company has an anti-risk ability. It has become more mature in capturing market opportunities, mastering the direction of product development and meeting the demands of the markets. This will lay a strong foundation for our future development.

The other members of the Board and I are confident in the coming years and will continuously improve the enterprise's overall quality and profitability and create better returns for our shareholders and investors by putting team spirit into full play and taking favorable opportunities.