

## CHAIRMAN'S STATEMENT

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During the year, we were facing a number of challenges say, the increase of raw material price, strong competition, and shortage of electricity and labours. To capture the market needs, Tongda Group had adopted a number measures including increasing the investment in advanced machineries, improving our production skills and efficiency and speeding up the research and development. Consequently, our productivity had been improved and our market share was also increased. The outstanding performance in the past years is not a simple task and our Group has entered into a good track for its development.



Tongda Group continues to evolve into a dynamic, broad-based accessories supplies company. The depth and breadth of Tongda Group's business are reflected in the company's financial results for the 2004 financial year as Tongda recorded group revenue of HK\$816 million compared to HK\$446 million in the previous year, an increase of 83%.

The sales result was translated into full year profit of HK\$98.3 million compared to HK\$58.7 million in the previous year, an increase of 68%.

Shareholders registered as at 15 June 2005 will receive a further HK0.30 cent per share dividend taking the full year dividend to HK1.00 cent fully franked. This compares to HK0.60 cent for the last year, an increase of 66.7%.

During the year under review, work continued on broadening Tongda's business base, as witnessed by our investment in manufacturing facilities of accessories of handsets and consequently, the encouraging result in our IMD operation. As well as these initiatives, Tongda also launched its IMD products application to other areas including Game Sets, MP3, digital camera, portable computer and motor vehicles.



The result in other areas of operation is also encouraging. In the aluminium alloy products, we target to the leading consumable products in the market including but not limit to the application in plasma and LCD television and digital camera, which has experienced a promising result in the past year.

In compliance of the latest Listing Rule, we have appointed Mr Cheung Wah Fung ("Mr Cheung") as our new independent non-executive director on 30 September 2004. Mr Cheung had served as a Member of the Council of The Stock Exchange of Hong Kong from 1999 to 2001 and has over 30 years experience in Hong Kong securities market. We believe that Mr Cheung's experience in the securities industry will bring knowledge and insight of the industry to the Board and will help to strengthen the corporate governance of the Company. With the other Directors of the Board, they have enhanced the depth and breadth of skills and experience of the Tongda Board.



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The Board and I strive for success and has identified our Group's strength and weakness and undertook an internal review of our Group's strength and weakness. We has established a number of strategic goals for the Company. These goals are being delivered to our Management to develop better corporate governance practices, to improve the Group's quality as a whole and to develop excellent corporate culture. The Board and the Management must bear two responsibilities namely, responsible to shareholders and responsible to staff.



Developing two platforms and one brand-name:

A platform offers opportunity for staff to perform themselves.

A platform offers excellent product design and value-added product supplies.

One brand-name is that "Tongda Group" is the first class of supplier in the China consumable accessories market.

### The outlook for the year of 2005

The past years have seen Tongda Group's strong growth and raising the standards of its performance across all aspects of the business. Despite that some of our customers are facing with a number of uncertainties, Tongda is well-positioned within its industry and is optimistic about the future. We believe that Tongda Group can maintain continued growth.

We have experienced strategic expansions to our product base, which provide great confidence for the year ahead. In particular, the latest decorative nameplates, which have involved a number of industrial skills in manufacturing, are applied by most of the electronic consumable products as their coverings.



During the year, we invested in a new factory in Xiamen Fujian Province which has comprised of a new handset casing operation and an expansion of manufacturing facilities of fiber optic cable business. We hope that the extension of manufacturing handset casing can develop synergy within our Group's development aiming at becoming a handset accessories one-stop shop.

We are a dynamic company operating in exciting areas of product and product development. Some new international famous brand customers have accepted Tongda as approved vendors during the year. Tongda Group becomes popular in the accessories field, and among the local and overseas manufacturers.

We predict strong conditions and opportunities over the coming years within our industry, in particular in the prosperous manufacturing market in China. The concept of China as a "world factory" is a trend which is set to continue, and Tongda Group is well positioned to capitalise on those good market conditions.

Having experienced the past years' consolidation and expansion, Tongda Group has entered into a rapid growth. For the manufacturing techniques, we are standing in the leading position. Based on the continuous support from our worldwide prestige customers and our strong product base, we believe that our Group's real situation will be reflected in the coming years' results. Tongda Group has a bright future.

In the coming days, we have to demonstrate our group spirit, to raise our effectiveness and efficiency in utilisation of resources and to apply the modern management skills to improve our productivity. In short, we have to improve our profitability and in turn, to improve the return for our shareholders.