

Chairman's Statement



“We endeavour to materialise quantum growth in our business and bring better returns to our investors.”

Yang Xiaotang | *Chairman*

Dear Shareholders,

I am pleased to report that the Group recorded encouraging results in 2005. Despite the keen competition in the mobile handset industry, the Group achieved a turnover of HK\$4,768.5 million during the year under review, representing an increase of 3.9% as compared to HK\$4,590.1 million last year. The profit attributable to equity holders reached HK\$49.9 million as compared to last year's loss of HK\$19.3 million.

In July 2005, the Group renewed the cooperation agreement with the Philips Group. The renewal sets a new milestone to the Group. The new cooperation not only extends the scope of cooperation, but also broadens and strengthens the Group's business relationship with the Philips Group. Pursuant to the new arrangement, the Group will provide mobile handset Original Equipment Manufacturer (“OEM”) service, and will design, develop, manufacture and supply MP3 players and other portable electronics products to the Philips Group as well. The Group further entered into a service agreement with the Philips Group in January 2006 in which the Group will provide mobile handset maintenance service to the Philips Group. The new business profile enables the Group to establish a comprehensive industry value chain in mobile communication products which extend the Group's products and services range and secure a stable source of revenue for the Group, and enable the Group to capitalise on the rapid growth of the global consumer electronics and communications products market. Looking forward, the Group will continue to explore proactively new business opportunities in consumer electronics and communication products and services, and endeavour to maintain itself as one of the major product supplier in the industry.

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In parallel to the strengthening of the existing core business, the Group has also been actively pursuing new investment opportunities. In particular, the Group set up a wholly-owned digital media entity in Suzhou during the year which worked closely with China Electronics Corporation ("CEC"), the controlling shareholder of the Company, in the development of cable television operation. The management believes that cable television broadcasting and related services are business sectors with promising potential in the coming future. Feasibility studies are currently in progress to structure the best operational profile in the involvement in the development and integration of domestic cable television broadcasting in China. With the technological advantage of CEC and through maximising the synergies between CEC and the Group, the management is confident with the success and materialising the quantum growth in return in this business area.

On behalf of the Group, I would like to extend my sincere thanks to our staff for their contribution and devoted effort, and to our shareholders and business partners for their continuous cooperation and support. To my fellow board members, I thank you for your dedication to the development of the Group. We will endeavour to improve the results of the Group and bring better returns to our investors in the future.

Sincerely yours,

Yang Xiaotang

Chairman

10 April 2006