

“We endeavour to promote the core value of our Group, and to advance our position in the global electronics industry so as to maximise the shareholders return as a whole.....”

Chen Zhaoxiong | *Chairman*

Dear Shareholders,

This past year was a challenging year to mobile handset industry players. On one hand, the global sales of mobile handset continued to grow at a fast pace and reached 1 billion units. On the other hand, the ever-advancing technologies and the fierce market competition shortened the life cycle of the products, narrowed the average profit margin and created tough challenges to the players in the industry.

To counter the intensively competitive business environment, the Group continued to strengthen its core competitiveness through extending its value-added services and full scale end-to-end service solutions available to customers. Since late 2005, the Group launched new product lines and started to offer MP3 and other portable multimedia players as well as original design manufacturer product solutions to our customers. In early 2006, the Group entered into the product maintenance services agreement with the Philips Group, pursuant to which the Group provides maintenance services for *Philips* branded handsets during the after sales warranty period. In addition, the Group set up the Mould and Tooling Centre, Product Research and Development Centre

and the Logistics Centre during the year to further enhance the business efficiency and streamline the operation flow. Our current business profiles not only enabled the Group to integrate vertically its operation, but also establish a comprehensive industry value chain to accommodate the increasing customers' need for complete service solutions.

In February 2007, China Electronics Corporation ("CEC"), the controlling shareholder of the Company, announced the acquisition of the mobile handset business from the Philips Group. Leveraged with CEC's vast industrial resources and strong market experience, we expect the acquisition will further enhance the market position of *Philips* branded mobile handsets. Looking forward, we will continue to work closely with CEC and through maximising the synergies between the two parties, the management is endeavour to promote the Group's mobile handset business as one of the major player in the world.

In parallel to the strengthening of the existing core business, the Group will proactively pursue new investment opportunities. Our objective is to advance the Group as a leading provider of information technology and electronics products and value-added services. The management is ambitious to capitalise the rapid growth of the global electronics and communication product market, and maximise the Group's return as a whole.

On behalf of the Board, I would like to thank all staff members for their contribution and effort in the past year. I would also like to express our most sincere gratitude to our shareholders and business partners for their confidence and continued support.

Sincerely yours,

Chen Zhaoxiong

Chairman

23 March 2007

