

On behalf of the board of directors (the "Board" or "Directors") of, Tongda Group Holdings Limited ("Tongda" or the "Group"), I am pleased to announce the results of Tongda for the year ended 31 December 2006 (the "Year").

In 2006, the consumer electronics market in China continued its robust growth, with a total turnover of approximately US\$60 billion, second only to the USA market. The mobile handset market in China also remained continuous growth in 2006 with a turnover of RMB150 billion. The prosperity of the consumer electronics market, the mobile handset market in particular has boosted the outfit accessory industry. On the other hand, with the rising living standard in China, consumption revolution has been taken, mobile phone has no longer been the communication tool only but a fashionable commodity. Consequently, the expectations of product's exterior design from both the manufacturers and the end-users are getting higher, and the demand for the Group's key products, IMD are rising sequentially. Seizing the golden opportunity, the Group accomplished remarkable results through business mix readjustment, resources consolidation, product diversification and market expansion.

For the year ended 31 December 2006, the Group's turnover was approximately HK\$1,119,000,000, representing a growth of about 0.6% compared to HK\$1,112,000,000 in the year 2005.

For the year ended 31 December 2006, the Group recorded a profit attributable to shareholders of approximately HK\$161,000,000, representing a growth of about 29% compared to HK\$125,000,000 in the year 2005.

The Director of the Group proposed to declare a final dividend of HK0.8 cents per share for the year 2006, representing a payout ratio of 37%.

With continuously enhanced profitability in the past 5 years, the Group was selected by Forbes Asia as one of the 200 "Best Under a Billion" companies in Asia in 2006. It indicates the Group's potential has been well accepted and recognized by the international market.

## THE ACHIEVEMENTS IN 2006

With a sense of responsibility to our shareholders and employees, the other Board members and I worked proactively and conscientiously during the Year to win continuous growth. As a result, the Group's overall competence is greatly sharpened in the following 3 aspects:

- i) **Customer Base Uplift** We grow with our customers and our success come from them. Presently, we not only work with all the leading domestic mobile handset and home appliance manufacturers such as Haier, Lenovo, Midea, Changhong, TCL, Xococo, Huawei, ZTE Corporation, UTStarcom and Bird, but have broadened our customer base to prestigious world-class international brands like Cisco Systems, Zojirushi of Japan, Pace of Britain, Philips, Sony, Samsung, GN Netcom, etc as well. Moreover, during the Year, the Group entered into cooperation agreements with two renowned international electronic manufacturing services ("EMS") providers, Solelectron and Flextronics. The Group would distribute its products to higher international platform through their network. It will definitely pave the way for the Group's further expansion to overseas market in the future.
- ii) **Business Structure Optimization** To elevate the overall profitability of the Group, we have readjusted the business structure, optimizing the product mix based on the market trend. The Group focused more on higher value-added products, while gradually phased out those with lower margin. The Group disposed the metal manufacturing factory in Shishi City, Fujian Province and shifted the Ironware Parts Division's business to higher-margin products in 2005. Moreover, the Group also decided to minimize its operation in fiber optic cable section of the Communication Facilities Division due to the steady slow down in this market. Going forward, the Group should also gradually reduce the proportion of MTS trademarks in Electrical Fitting Division while invest more resources on the IMD products, especially in the application of mobile handsets. Given its higher profitability and optimistic market outlook, this will be the primary focus for the Group going forward.
- iii) **Product Diversification** The Group has always been trying to diversify IMD products. Through continuous efforts in R&D, the Group is able to provide customized solutions for various consumer electronics products, ranging from mobile handsets, refrigerators, air conditioners, washing machines to microwave ovens, induction cookers, MP3, MP4, medical appliances, auto electronics products, interior trims, and bluetooth products. Furthermore, to match up with the blossom of mobile handset market, the Group has also actively developed other handsets accessories, such as hinges, sliding lids and keypads etc. The diversified and all-rounded product mix has enabled the Group to provide one-stop solution for mobile handsets manufacturers.

## COMPETITIVE ADVANTAGES

The Group has established its leading position in the consumer electronics accessory market based on the following competitive advantages:

- i) **Excellent and Diversified Customer Base** The long-term collaboration with leading domestic and international customers evidenced the Group's overall competency. At the same time, the Group enjoys a broad customer base, among which each contributes less than 10% in the turnover;
- ii) **Top-ranking Product Quality** The Group has a strong quality control team. The quality of raw materials, semi-finished products and finished products are all well monitored and controlled through rigorous procedures in accordance with the relevant standard and specifications. The commitment to quality assurance has secured Tongda's brand reputation;
- iii) **Strong R&D Capabilities** The Group has always spent lots of efforts in R&D to catch up with the fast growing of consumer electronic products. This market-oriented approach has sharpened Tongda's competitive edges as a leading player in the market;
- iv) **Diversified Product Range** With years' of continuous efforts and non-stop innovation, the Group is capable of providing various outfit accessories for handset and other electrical compliances. Now Tongda is well positioned as a one-stop accessory solution provider for handset manufacturers; and
- v) **Efficient Production** As a first mover in this industry, the Group has a wealth of experience in every part of the manufacturing process, together with the cutting edge design capability and state-of-the-art production facilities, the Group is renowned for "time-to-delivery" service.

## OUTLOOK OF THE YEAR 2007

Statistics have shown that, spurred by the revolutionary of global information technology and the soar of domestic consumption power, the Chinese consumer electronics product market is expected a further jump, with an anticipated turnover of US\$ 9.5 billion in 2007. Especially with the launch of 3G, the mobile handset industry in China is foreseen a remarkable growth. In the presence of such favorable operation environment, the management is fully confident in the future of the Group. In the year 2007, the Group will lay full strengths on the following 3 areas:

- i) **Overseas Market Expansion** The Group aims to be a leading supplier of first tier consumer electronics product manufacturers, no matter domestic or international brands. With a well established landscape in the local market, the Group will endeavor to penetrate the international market in 2007. In respect of IMD products, in the Year the Group successfully completed the technology testing for two leading mobile handset manufacturers and was certified as their qualified supplier. The collaboration with two renowned international electronic manufacturing services (EMS) providers, Solectron and Flextronics is also part of the Group's strategy to become the "Global Supplier" of the world's top mobile handset manufacturers. Moreover, the Group has entered into cooperation with two giant electronics product manufacturers, GE and Thomson. Bulk orders are expected from the above customers in 2007. In the respect of ironware products, steady growth is foreseen from business with Cisco, Pace, Samsung and Sony etc. The Group will create synergy between electrical fitting and ironware products, in other words, the Group will try to get more businesses for IMD from their existing ironware customers, such as Samsung and Sony.
- ii) **One-stop Solution for Mobile Handset Outfitting Accessories** After the readjustment and optimization of business structure, the Group will concentrate more on two key areas in the future, namely, Electrical Fitting and Ironware Parts, especially IMD application in the mobile handset market for the former. It is expected to be a key revenue generator for the Group. Based on this strategy, the Group will better leverage its resources, while canalizing on its existing production facility, industry knowledge and customer base, to be a one-stop outfitting accessory service provider for mobile handset manufactories. The Group will expand its product line from panels to lens, keypads, slide-lids, hinges, etc. It is expected that in 2007, the global sales unit in the handset market will reach approximately 1.1 billion units, representing a growth rate of above 10%. The Group is fully prepared to capture the golden opportunity.
- iii) **IMD Application Broadening** Consumers' expectations towards the appearance of all electrical and electronics products have been continually raised in line with the rising living standards. As a result, market demand for IMD products surges. With a comprehensive IMD technology, including color coating, plasma surface treatment, leather incrustation, multi-color automatic printing, and alloys with various textures, the Group will provide better IMD for various products, such as handset laptops, refrigerators, air conditioners, washing machines, microwave ovens, induction cookers, MP3, MP4, medical appliances, auto electronics products, bluetooth.

We are optimistic about the Group's future based on Group's solid and diversified world-class customer base, optimized business structure, cutting-edged technology, and diversified product mix. With the increase of sales orders, the Group will continue to expand its production bases, and consider merger and acquisition if necessary. Looking forward, the Group will reinforce its presence in the domestic market while proactively expand the international market. As a leading supplier of handset components and accessories in China, the Group will further leverage its resources, strengthening its position as a one-stop service provider for handset outfitting accessories while seeking opportunities in other consumer electronics products. The group is committed to further enhancing overall profitability while maximizing shareholders' return.