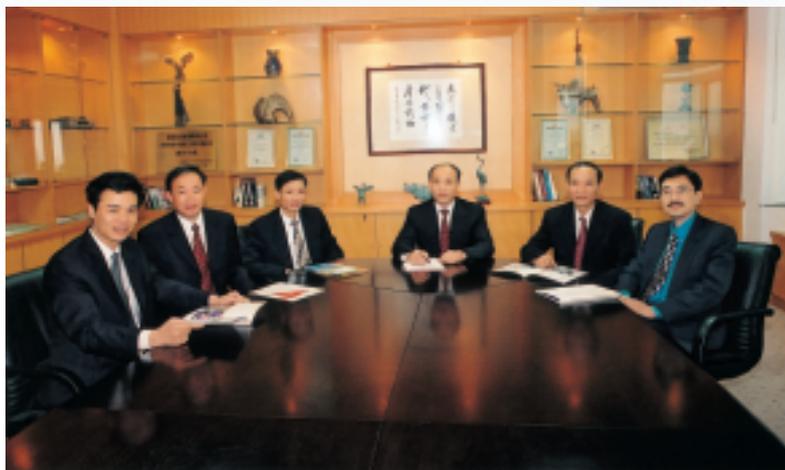


Chairman's Statement



Executive Directors
From Left: Mr. Shi Bi Xi, Mr. Wong Ah Yu, Mr. Wang Ya Hua, Mr. Wang Ya Nan,
Mr. Wong Ah Yeung, Mr. Choi Wai Sang.

On behalf of Tongda Group Holdings Limited and its subsidiaries, I take great honor to present the 2000 Annual Report for the year ended 31st December 2000.

1. RESULTS FOR THE YEAR

During the year, the Group recorded a profit before tax of HK\$78,195,000 (1999: HK\$57,370,000). The net profit attributable to shareholders was HK\$62,658,000 (1999: HK\$45,462,000) with earnings per share of 27.6 cents (1999: 20.2 cents).

2. DIVIDENDS

The directors recommend the payment of a final dividend of HK\$0.08 per share in respect of the year ended 31 December 2000.

3. BUSINESS REVIEW

In spite of the continuous economic growth in China, the overall market for household electrical appliances in Asia was particularly weak. As the Group mainly engaged in the manufacturing of components and accessories for household electrical appliances, the overall business performance of the Group during the year was affected. Under such circumstances and for the year under review, the sales revenue from the Group's core products arrived at HK\$357 million, representing an increase of 24% over the previous year. From the industry point of view, the outstanding and hard-won achievements pivot on the continuous product development and the concerted efforts of all staff members.

In the year of 2000, the Group has focused on the following strategy:

1. Steady development in production. The turnover of ironware parts has increased by 9.3%. The turnover of electronic components has increased by 22% and the



turnover of electrical appliances accessories has increased by 53% in comparing with last year (details of segmental information are set out in notes 4 and 5 to the financial statements). There are over 500 units of new moulds associated with over 5000 units of samples having been completed during the year.



2. New products development. Having put Membrane Touch Switch "MTS" and In-Mould Decoration "IMD" into commercial production in the second half year of 2000, the Group introduced another two new products, the Digital Satellite Television Receiver "DSTR" and Aluminium Wiredrawing in the coming years.
3. Improvement in technical support. The Group invested nearly RMB10 million for technical improvement during the year. The new equipments included the advanced contemporary pre-screening design machines, mould manufacturing machines, whole aluminium wiredrawing production lines, IMD mould injector machines, a number of inspection apparatus and new production lines. The technical improvement has not only sharpened the Group's ability in technical innovation and enhanced its Aluminium Wiredrawing production capacity but also expedited the adjustment in product mix.
4. Market expansion. By the end of the year 2000, a joint venture company established by the Group with a Japanese company which specialized in screen printing started its trial production run. Tongda Shenzhen Co Ltd which was planned to be another production arm in the Southern Region of China, commenced the construction of its production plant in the first quarter of 2001. Besides, the Group also strengthened its marketing activities in prime locations in China and took steps to develop the foreign market in particular in the Australia and South East Asia region.



The Group strongly believes that these measures will lay down a solid ground for future development.

4. LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a robust financial position, with cash and bank balances of HK\$76,936,000 as at 31 December 2000 (1999: HK\$21,665,000). The Group raised approximately HK\$61 million by way of listing on the Stock Exchange. The Group generally finances its

operations with internally generated cash flow and other banking facilities provided by its principal bankers in Hong Kong and PRC.

The Group's borrowings and operation transactions are mainly denominated in RMB and Hong Kong dollars. Over 90 percent of the Group's cash is either denominated in Hong Kong dollars or RMB. The exposure to exchange fluctuation is minimal. During the year under review, there was no significant deviation from the previous operation.

Chairman's Statement



As at 31 December 2000, the gearing ratio (total debts/total assets of the Group) was 0.52 (1999: 0.58).

5. CAPITAL STRUCTURE

All the Company's shares are ordinary shares and the Group's borrowings are secured bank loans which are repayable within one year as at the balance sheet date.

6. CHARGES ON GROUP ASSETS

The principal place of business at 7C Sea Bright Plaza, 9-23 Shell Street, North Point Hong Kong was pledged as a first legal charge to a bank for securing certain of the banking facilities for the Group's operation.

7. EMPLOYEES

As at 31 December 2000, the total number of employees was 1019. The Group remained responsive to market trends to ensure its remuneration packages remain competitive. In addition, the Group also increased its employees on more comprehensive training to exchange employees skills and product knowledge, as well as providing them with development and advancement opportunities. In 2001, we will concentrate on the Continuous Professional Training requirements now established by the Securities and Futures Commission of Hong Kong.



8. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the closing date of the year under review.



9. SIGNIFICANT INVESTMENTS

Apart from the aforementioned joint venture company established by the Group and a Japanese company, no other significant investments held by the Group during the year.

10. OUTLOOK

In order to improve the competitiveness of the Group's products and to meet the new challenges brought about by the globalization and China's expected entry into the WTO, the Group decides to follow the world advanced technology, to reinforce the technical improvement and new products development, in order to consolidate its market on and to further develop speciality products such as metals components and of parts for electronics accessories and to create new competitive advantages through technology, quality and price so as to broaden its business scope and to maintain its leading position in the market.

Chairman's Statement

The Group plans to further strengthen its research and development capability by recruiting additional senior engineers, providing in-depth training to its engineers and developing joint research programmes with research and development institutions in the PRC for the development of new products. In addition, to enhance the production efficiency and to increase the total output of the Group's existing production facilities, the Group plans to purchase advanced machinery and equipment and to upgrade its existing production lines so that the quality and production volume can be assured. The above plans will be financed by the net proceeds from the issue of shares, and details are set out in the Company's prospectus dated 12 December 2000.

Utilizing the development of Digital Satellite Television Receiver as stepping stone, the Group plans to develop and master the digital and network technology to develop network-related products such as top box, optical fibre and cable and optical appliances etc. so as to raise the proportion of high value-added products to rank among the high-tech sector.

The Group will adopt information management within the corporate to enhance the working efficiency and response rate towards the market.

With Fujian Province as its starting point, the production base will gradually expand towards Guangdong Province and Shanghai in order to expand to Group's clientele close to the multinational corporations. In addition, the Group will aggressively develop the markets in Australia, South East Asia, Europe and the United States.

The Group strongly believes that with the implementation of the above measures and high-tech projects the Group's productivity and efficiency will be enhanced with a substantial profit and an increase in the return to its shareholders.

On behalf of the board of directors of the Company, I take this opportunity to express my heartfelt thanks to the management and staff for their dedications in the past year and to all the shareholders, suppliers and customers for their support and concern for the Company.

Wang Ya Nan
Chairman

Hong Kong, 19 April 2001

