

## CHAIRMAN'S STATEMENT

*Dear Shareholders:*

It is my honor to present the 2005 Annual Report of CATIC Shenzhen Holdings Limited ("the Company") and its subsidiaries (together the "Group") on behalf of the board of the directors ("Board") of the Company to all shareholders, partners and everyone who are always supporting the Group.

In 2005, the main businesses of the Group developed steadily. The consolidated income (including continuing operations and discontinued operations) posted approximately RMB 1.947 billion which representing an increase of approximately 10.76% compared with RMB 1.758 billion of the previous year, the overall gross profit maintained almost the same level as the previous year, and the consolidated profit attributable to shareholders (after minority interest) amounted to approximately RMB 16,951,000, compared with a loss of approximately RMB 20,609,000 in 2004. As to each of the business segments, the performance of the PCB business was outstanding with the sound increase in both income and profit which reached a record high level. The profit of LCD business declined due to increasing keen market competition and persistence low price trend. The timepiece business has picked up this year.

According to its long-term development strategies, the Group has put some important strategic projects into practice in the year 2005. To meet the requirements of the future development, the Group, together with its partners, invested to build the 4.5 Generation (4.5G) Tube Size Thin Film Transistor – Liquid Crystal Display (TFT-LCD) panel production line in Shanghai. In the meantime, the Group has prepared for further expansion of production capacity of PCB. To improve its management standard and competitiveness, the Group actively implemented the Lean Six Sigma Management in 2005 as well to make foundation solid for the long-term sustainable development. The Group also further enhances the corporate management in the year 2005, as part of which efforts the Remuneration Committee was set up, and actively promoted the share segregation reform of its domestic A-share listed companies to protect long-term interests of the Group.

In 2006, even confronted with such difficult tasks of the investment projects, the Group intends to exert relentless efforts to improve its performance and profitability to reward employees, customers and the shareholders of the Group.

Finally, on behalf of the Board, I would like to extend my sincere gratitude to all the diligent and dedicated staff, and the stockholders and customers for their kind support to the Group.

**Wu Guang Quan**

*Chairman*

Shenzhen, PRC, 19th April 2006