

## Chairman's Statement

### SURMOUNT ORDINARY & MAKE FIRST CLASS

It is my honour to present the 2006 Annual Report of CATIC Shenzhen Holdings Limited ("the Company") and its subsidiaries (together the "Group") on behalf of the board of directors ("the Board") of the Company to all shareholders and working partners, as well as the general public who always support the Company. I look forward to sharing our results achieved in the past year and projecting the exciting future with each of you.

Year 2006 was a year of breakthrough with regard to the Company's development: major businesses maintained a positive growth momentum, the Group's overall performance steadily enhanced, and internal management standard increased as well by a relatively large degree. During the year, the Group recorded a total consolidated sales revenue (including continuing and discontinued operations) of approximately RMB2,629,794,000, representing an increase of 31.51% compared with RMB1,999,697,000 of the previous year. The consolidated profit attributable to shareholders (after minority interests) of approximately RMB123,095,000, representing an increase of 626.18% compared with RMB16,951,000 during the same period of the previous year. A rather desirable growth was accomplished. As regard to the existing business segments, both the sales revenue and profit of liquid crystal displays reached a historical new high; the business of the TFT display module recorded a rapid growth while its technology kept advancing. During this year, the business of printed circuit boards still maintained good performance. The adoption of a flexible marketing strategy resulted in a significant increase of profitability. Sales revenue and profit not only achieved a desirable growth, but also the best level in history. During this year, the business of timepieces recorded a relatively desirable growth. While consolidating the development of its current businesses, the Company will also focus on the strategic goal of "realization of limited diversification" to seek and explore new businesses at a proper time. The Company's successful acquisition of Guangdong International Building Industrial Company Limited (廣東國際大廈實業有限公司) in January 2007 marked the Company's first foray into the commercial property domain.

Results are attributable to history, and the Company's results are the outcome of the determined implementation of the operating philosophy of "precise business development strategy and adjustment to business development structure" in the past two years, combined with the rapid improvement in basic management level due to the full implementation of modernized management tools including Lean Six Sigma Management and BSC.

Results encourage people to accomplish more, and facing all the opportunities and challenges in 2007, the Company will continue strengthening business development and basic management work. In terms of business development, the Company will consolidate the existing businesses and increase their core competitiveness. Meanwhile, in order to achieve the strategic goal of "limited diversification", the Company will also seek opportunities to develop new businesses with high growth potential. For this purpose, the Company has proposed to change its Chinese name to "深圳中航集團股份有限公司" and it will adopt the following measures: the LCD business will expedite the production line development of the 4.5 Generation of TFT-LCD boards, and further implement the "Large Client Strategy" so as to optimize client structure; the PCB business will also continue the projects of output capability enhancement and technology advancement, and actively adjust its product and client structure; the timepieces business will maintain its emphasis on brand strategy and value sales, as well as sales network optimization. In the facet of management strengthening, the Group will further implement Lean Six Sigma Management so as to organize management flow and enhance production efficiency. Strategic management and performance management will also be strengthened by utilizing modernized management tools such as BSC in a scientific fashion. It is expected that the Company's management level will be enhanced on an on going basis.

Following the operating concept of "Surmount Ordinary and Make First Class", together with the guiding principle of "Reform for Growth" and the strategic goal of "Limited Diversification", the Company will strive to increase the overall competitiveness of the Group, creating more values for the shareholders, customers, staff and the community.

On behalf of the Company, I would like to take this opportunity to extend my most sincere gratitude to all shareholders, partners and staff. I hope that your trust and support will become the driving force of the Group to move forward.

**Wu Guang Quan**  
*Chairman*  
Shenzhen, PRC,  
6 June 2007