

Corporate Governance

The Board of Directors of TCL Multimedia Technology aims to achieve the highest standards of corporate governance and business ethics in pursuing its mission of becoming the world's leader in the multimedia industry. The Group's ultimate goal is to maximize values for its shareholders, staff and customers.

Board of Directors

The Board of Directors steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The Board consists of 10 directors, including 6 executive directors, 1 non-executive director and 3 independent non-executive directors. They meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans.

The non-executive directors (75% of whom are independent) also play an important role on the Board. Accounting for almost one third of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders and the Company as a whole.

For the year ended 31 December 2004, 2 full board meetings were held whereby the views of executive and non-executive directors were exchanged on the overall performance and future planning of the Group.

Audit Committee

The audit committee of the Board, which consists of 3 independent non-executive directors and 1 non-executive director, meets at least 4 times a year to review the Group's quarterly, interim and annual results. The audit committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system of internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The committee is also responsible for reviewing the truthfulness, completeness and accuracy of the Group's financial statements, and for assessing the scope of work of external auditors.

For the year ended 31 December 2004, a total of 4 audit committee meetings were held.

Corporate Transparency

The Group maintains a high level of corporate transparency and has frequent interactions with shareholders, investors and media through different channels. Apart from interim and annual results announcements made in accordance with requirements of the Listing Rules of the Main Board, the Group has moved further beyond mere compliance and has volunteered to issue additional quarterly results since 2001.

Moreover, in order to provide investors with more information for evaluating the Group's performance in a more timely manner, the Group made a further step to release monthly shipment data of its core products on its corporate website. The disclosure is voluntary and beyond regulatory requirements. While such practice is not common for companies listed on the Stock Exchange of Hong Kong, our move was welcomed by investors and shareholders.

The Group also posts its latest corporate developments, announcements, financial reports, press releases, etc. on its corporate website, keeping shareholders and the public abreast of the Group's developments in a timely manner.

Investor Relations

The Group has a dedicated investor relations department to maintain frequent dialogues with investors and shareholders. Headed by the managing director, Mr. YAN Yong, Vincent, the department fosters close contacts with investors and shareholders. Regular meetings and conference calls with investors, shareholders and the media are held for exchanging views. Such interaction not only enables investors to better understand the Group's business development but also allows the management to gain feedback on its strategic corporate moves.

During the year under review, the Group completed the establishment of a world-class joint venture, TTE with Thomson Group. The event became a major focus in the investment community. In maintaining an open dialogue with investors, the Group organized a conference call in May

2004 when the Group reached an agreement with Thomson on certain major transactions concerning TTE. Throughout the year, investors monitored the progress of TTE closely and the Group tried its best to address their concerns in an open and transparent way.

For the year ended 31 December 2004, the investor relations department participated in the following activities:

- 218 one-on-one investor meetings
- 7 international conferences and roadshows in Singapore, the US and Europe
- 16 investor teleconferences
- 3 corporate presentations and 2 media conferences

The Group is pleased to see that its efforts in investor relations received high recognition from the investment community. The following honourable awards were received during the year ended 31 December 2004:

- 2004 Asian Investor Relations Perception Study conducted by the “Institutional Investor Research Group”, ranking by sell-side analysts:
 - Mr. LI Dong Sheng, Chairman was ranked as the 7th Best CEO amongst 25 Asian peers, and the best CEO of a Chinese enterprise
 - Mr. YAN Yong, Vincent, Managing Director, was ranked as the 6th Best CFO amongst 26 Asian peers
 - Ms. YAU Sheung Nei, Shirley and Ms. LAU Lai Man, Connie of the Investor Relations Department, were ranked as the 2nd and the

9th Best IR Professionals amongst 40 Asian peers

Looking forward, the Group will continue to strengthen its corporate governance and accountability mechanisms. With a passion to excel and a commitment to outperform, the Board of Directors and all staff at TCL Multimedia will work towards the goals of creating value for shareholders,



providing opportunities for staff, bringing fulfillment to customers, and making contribution to society.

Human Resources

The Group has a dedicated staff force of 33,000 talented employees. Recognizing human resources as one of the most valuable assets of the Group, the Group offers well-structured and performance-based remuneration, comprehensive training, good working environment as well as career development opportunities to attract and retain staff who are committed to not just fulfilling but excelling in their respective capacities.

TCL Corporation, the Group's parent company, enjoys the reputation as an outstanding employer. It has recently been recognized as a Corporation with Best Employee Growth Value in the PRC. Sharing the parent company's values of “Trust” and “Teamwork”, TCL Multimedia

promotes the same belief with a strong emphasis on teamwork across the entire organization, and encourages the establishment of trust and sense of belonging among our employees.

The Group cultivates a learning culture and promotes life-long learning. A full range of workshops and training courses together with the provision of educational subsidies were offered to staff with outstanding performances during the year under review. The response to such training and subsidies were highly positive.

Social Responsibility

As a responsible corporate citizen, the Group supports and has sponsored various forms of social and community activities. “Contributing to Society with the Wealth Gained Therein”, the Group, together with TCL Corporation, its parent company, made contributions to society, with three major areas in focus — education, sports and poverty. Contributions were made in monetary terms as well as supportive actions to the full.

Immediately following the tsunami disaster, the Group, together with its parent company, donated RMB 3 million to the Guangzhou Branch Red Cross Society of China to help the tsunami victims.

In line with our corporate philosophy of “Creating Benefits for Society”, we all at TCL will continue to undertake our responsibilities.