



Zhang Shuyang
Chairman

Chairman's Statement

DEAR SHAREHOLDERS:

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Mitsumaru East Kit (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

In 2006, the CTV industry experienced comprehensive adjustments in industrial, technical and system areas. The global demand for CTVs broke a new record. The overall scale of the PRC CTV market continued to grow steadily. The exports of traditional CRT CTVs significantly increased while the consumption of flat CTVs started in full throttle, thus boosting the production and sales volume of CTVs. Besides, the rise of the rural consumption power allowed the sales of CTVs in rural areas to exceed that in urban areas for the first time, which is one of the critical factors for the rise of production and sales volume. In certain major cities, LCD CTVs has become the trend of CTV sales, and its sales volume and amount beat those of CRT CTVs.

For the year ended 31 December 2006, turnover of the Group was approximately HK\$1,174 million, representing an increase of 10% as compared to HK\$1,066 million for the corresponding period of the previous year. The profit for the year attributed to equity holders of the parent was HK\$8.6 million, representing a decrease of 43.2% as compared to HK\$15.2 million for the corresponding period of the previous year. Basic earnings per share attributable to ordinary equity holders of the parent was HK2.16 cents, representing a decrease of 43.2% as compared to HK3.80 cents for the corresponding period of the previous year. As at the balance sheet date, balance of cash and cash equivalents and pledged deposits were approximately HK\$148.14 million. The Group has maintained a strong financial position, laying a solid foundation for its future development.

The Group actively expanded its existing operations and invested more resources in overseas markets this year. During the year, the total sales of the domestic and overseas markets of the Group were HK\$565.82 million and HK\$607.98 million respectively.

In order to keep financial reserves for the future development of the Group, the Board has resolved not to distribute final dividends for the year ended 31 December 2006 (2005: HK1.125 cents per share).

In 2006, the Group pursued its strategy of "No Brand Solution" approach, strove hard to expand sales and consolidated the resource platform. It systematically controlled the costs, strengthened its production and assembling ability as well as enhanced the production technical support.

It also controlled logistics costs and further improved its products in order to provide supply chain management services for electronic product manufacturers and vendors over the world.

With a view to boost the sales volume of all products, the Group actively participated in various domestic large international consumer electronics exhibitions, such as the International Funk Ausstellung (IFA) at Berlin, Germany, CES at the U.S. and Hong Kong Electronics Fair. This enhanced communication and learning among industry players, allowed the Group to make the acquaintance of domestic and overseas buyers as well as further enhanced its reputation in the world.



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Despite continuous development, the Group also contributed to society by donating RMB200,000 to science education charities during the period.

Meanwhile, the Group maintained and enhanced standards of corporate governance, reviewed its organization structure, and also maintained sound and effective internal controls. It also made decisions based on the interests of shareholders as a whole, aimed at providing the best returns to shareholders.

In the coming years, the global demand for CRT CTVs will decrease gradually but there is still room for growth for production and sales volume of CRT CTVs in the PRC. With the imminence of the 2008 Beijing Olympic Games, the sales volume of LCD CTVs would record substantial growth in 2007. Furthermore, since the national digital territorial broadcasting standard has been announced, high-definition digital TV will gradually become the new favourite of almost all CTV enterprises.

Looking ahead, the Group is prudently optimistic about the market and business prospects. It will actively tackle all the challenges it faces in the industry and leverage on its strengths to deliver excellent results.

On behalf of the Board of Mitsumaru Holdings, I would like to extend my gratitude to all of our customers, suppliers, business partners and shareholders for their trust in and support to the Group, and to all the staff of the Group for their dedication and loyalty.

By Order of the Board
Mitsumaru East Kit (Holdings) Limited
Zhang Shuyang
Chairman

Hong Kong, 25 April 2007