

CHAIRMAN'S STATEMENT



Chairman's Statement

The Company underwent business reorganisation, adjusted operational management model, strengthened shareholding structure, and enhanced corporate governance practices

BUSINESS REVIEW

Improved Business Performance in North America

Building on two years of improvement, the Group's consolidation of the business in North American market was in line with expectations.

During the year under review, the Group revised its North America operations and sales strategies, focusing on strengthening the relationship with existing major customers while exploring potential new client relationships and adjusting product mix according to market demand. The remarkable effectiveness of these strategies was demonstrated with positive business performance.

Initiated Business Restructuring in Europe

The Group's performance in the European market was far behind expectations due to rapid product change, a complex market environment and high operational costs. During the year under review, the Group undertook a comprehensive business review and analysis to outline alternatives and practical reform strategies. Then, in October 2006, the Group announced a thorough business restructuring plan which would have the impact of re-sizing the European business and reallocating resources to a sustainable operating model given the local market conditions.

Explored Stronger Market Potential in China

A strong foothold in China is a key enabler of the Group's efforts to extend its global reach. The China market has always been and continues to be a major source of revenue for the Group. During the year under review, overall demand in the PRC TV market declined on the back of product renewal and changing consumer purchasing habits. However, despite these adverse market changes, the Group maintained its leadership position: overall market share remained steady at 21.5% and the Group's share of the LCD segment continued to grow.

Emerging Market and Strategic OEM Business Grew Steadily

During the year under review, the Group put focus on adjusting the business flow and operating model for certain regions of the Emerging Market on one hand, and reviewed the asset quality in response to the recent business development progress on the other, laying a solid foundation for



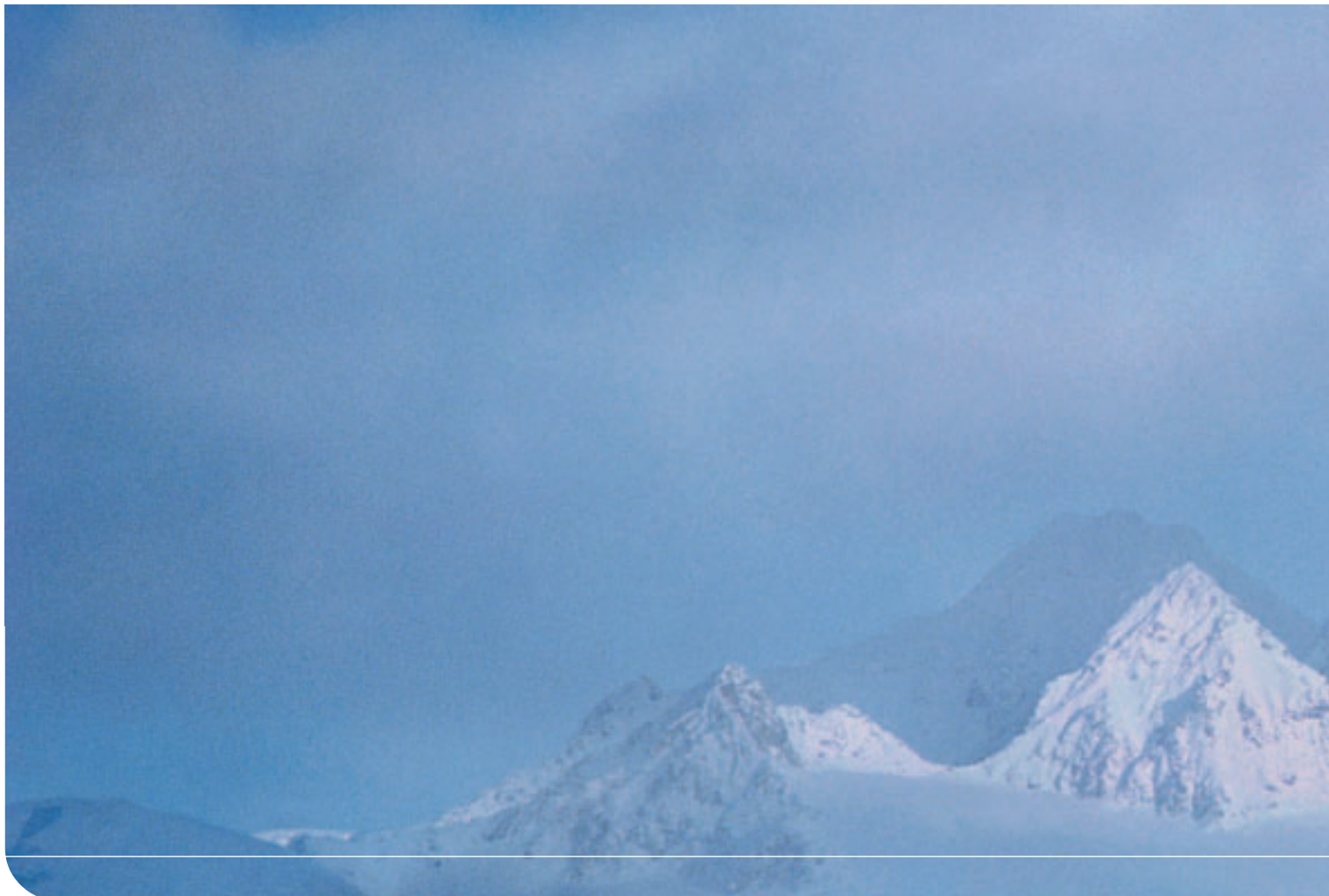
Mr. LI Dongsheng

Dear Shareholders,

The Year 2006 was marked by challenges to the Group's internationalization. Facing intense competition and rapid market changes, the Group took the initiative to control business risk, enhance overall operating efficiency and strengthen competitiveness through business restructuring and strategic planning. During the year under review, the Group's business in the PRC market and Strategic OEM sector maintained robust development. In addition, business performance in the North American market improved. However, the Group undertook a comprehensive restructuring of operations in Europe to limit the business risks and prudently made a sizeable business provision. As such, the Group recorded a loss for the year under review. With the bulk of business restructuring in Europe behind itself, the Group is confident of achieving an overall improvement in the future.



Chairman's Statement



productivity and operational efficiency enhancement of the Emerging Market in long term.

Strategic OEM Business grew smoothly during the year under review. The Group adopted prudent and stable expansion strategy to explore new markets and launch various tailored-made new products, achieving sustainable business growth.

Disposed of PC Business

In order to focus its resources on building its core global TV business, the Company disposed of its PC business to its ultimate controlling shareholder, TCL Corporation, in September 2006. We believe this move will benefit the long-term development of the Group.

Established Valuable International Vision with Unique Market Insight

The Group views talented personnel as the keys to its growth and therefore continually seeks to cultivate a management team with international vision. During the year under review, the Company recruited a number of senior managers with innovative ideas and extensive experience, so as to propel corporate development.

While strengthening its management, the Group also boosted its product development capability under a new "Global Product Planning and Marketing Center". This department is responsible for devising global product and business development plans as well as brand positioning, with an aim of further

enhancing product competitiveness in the international arena.

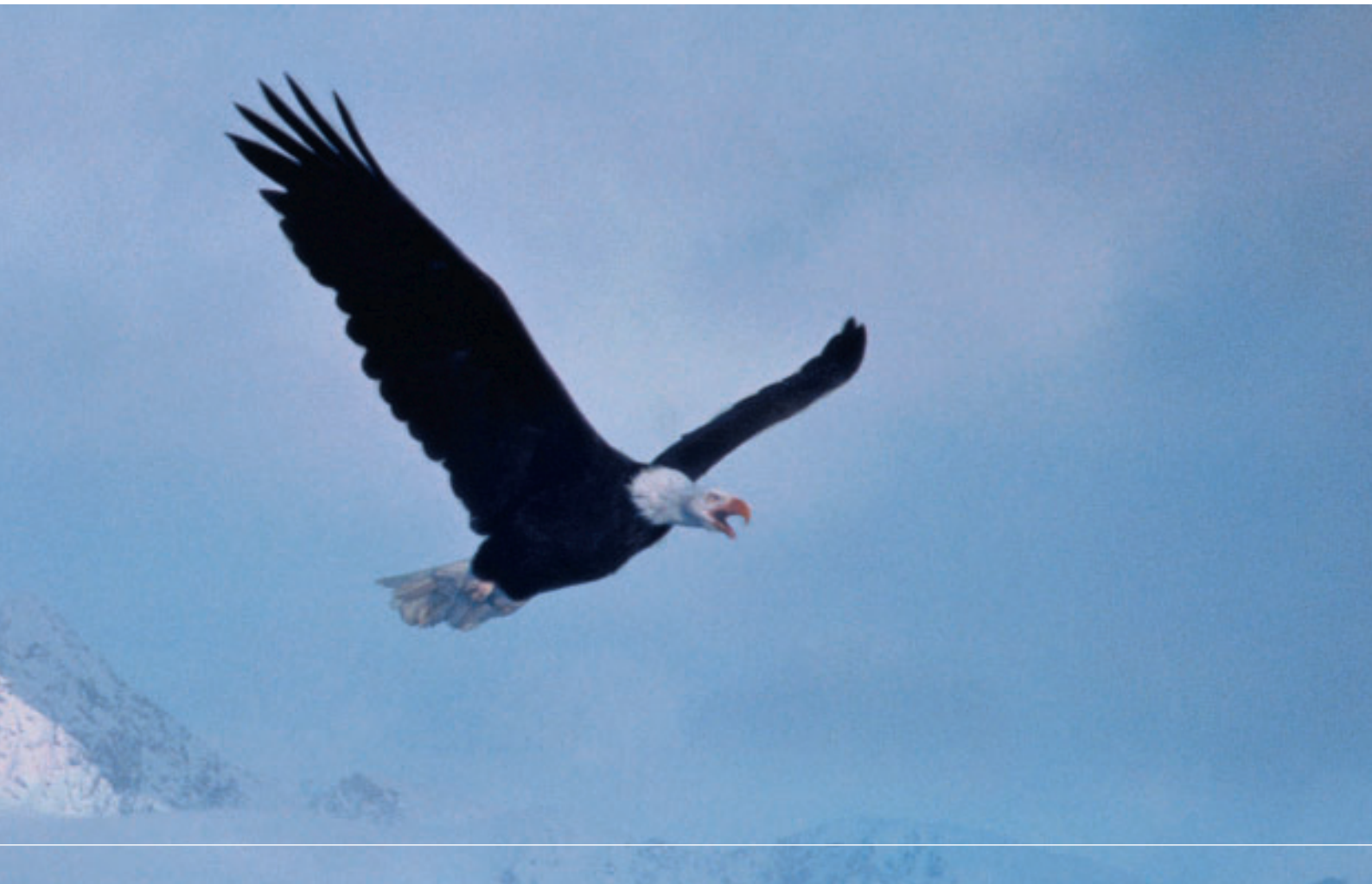
COMPANY OUTLOOK

Looking to 2007, keen competition in the global TV market will prevail, especially in the CRT TV segment, which continues to attract new competitors. The Group expects intense future competition, mainly focusing on the pace of new product and technological development, supply chain management, cost control and overall operational efficiency.

Strong Growth Momentum of LCD and Digital TV

The Group anticipates that future growth of the TV market will be mainly fuelled by two products, namely flat

Chairman's Statement



panel LCD TV and digital TV. In view of flat panel's emergence as our industry's global growth driver, the Group will continue to strengthen product research and development, focus our marketing efforts for flat panel TVs, and launch new products in a timely manner to further increase market share and enhance the Group's competitiveness.

Immense Potential in CRT TV Market

As stated above, even though CRT TV is facing a slowdown in market demand, competitiveness is increasing. This is attributable to CRT's relative price competitiveness compared with LCD TV, as well as more technology upgrades to CRT TV, such as the new generation of Super-Flat CRT TV. The capacity of the CRT TV market remains strong with good potential. As the

market leader of CRT TV, the Group enjoys competitive advantages in technology and production cost. Hence, the Group will continue to actively develop this business segment to ensure that it remains a stable source of revenue for the Group.

Target of 2007: To Achieve Overall Improvement

In 2007, the Group aims to improve the business performance of the North American and European units. Although revenue from Europe will decline substantially after restructuring, the loss will narrow significantly. With further improvement in the performance of the North American market, the robust development of the Emerging Market segment as well as stable operating profit generated from the PRC and

Strategic OEM businesses, the Group is confident of achieving an improvement in 2007.

APPRECIATION

On behalf of the Board, I would like to express my thanks to the management and all staff for their dedicated efforts and contribution to the Company's long-term business development. And, I would like to thank our clients, suppliers, business partners and shareholders for their confidence and faithful support.

LI Dongsheng
Chairman

31 May 2007