

INDUSTRY & MARKET OVERVIEW

A Market Intelligence Centre ("MIC") report published in November 2005 indicates that worldwide shipment of LCD monitors will grow from 102 million units in 2005 to 152 million units in 2008, representing an annual growth rate of around 13%, while the global shipments of flat digital TVs will experience drastic expansion from 26 million units in 2005 to 79 million units in 2008, with an annual growth rate of over 40%. Industry researchers expect that after LCD monitor, flat digital TV will become the new growth driver of the TFT-LCD industry in the coming years.

PROSPECTS

Leveraging on its strong market presence in the display industry, the Group is well positioned to benefit from anticipated booming demands for LCD monitors. With better cost structure and appealing product designs, the Group is confident of continuous substantial growth in the sales of LCD monitors and achieving its corporate goal of becoming one of the world's top five LCD monitor manufacturers in coming years.

For flat digital TVs, the Group expects to enjoy an annual double digits growth in shipment in 2006. Currently, the Group's flat digital TVs are mainly sold under the "Proview" and "MAG" brands in North America. There are plans to enter the flat digital TV OEM business, so as to significantly increase its annual flat digital TV shipment in the next three years.

Branded/ODM businesses

The Group sees its extensive global distribution network as a major competitive strength. With a stable of its own and licensed brands such as "Xerox", the Group is able to pursue different strategies in market development and derive more favorable profit margins from the branded business. Importantly, it also allows the Group to closely monitor the changing preferences of the ultimate consumers, and such knowledge is critical to the development of the Group's ODM business.

The Group has been investing substantially into the development of its ODM business and now, almost all major computer name-brand in the world are our ODM customers. This is a testimony to our excellent product quality. Their orders also help expand the Group's economy of scale in production.

The Group's ODM and branded businesses accounted for approximately 81% and 19% of the consolidated turnover in this period respectively. The Group acknowledges the strategic importance of balancing its business portfolio and the near-term plan is to increase the branded business to approximately 30% of the Group's consolidated turnover.

Strategic partnership

Strategic partnership with major upstream suppliers is an important platform to bolster manufacturing and cashflow efficiency, control cost and strengthen the Group's value chain of operations. The Group is in an OEM partnership with Chi Mei Corporation, a major panel manufacturer in Taiwan, for the production of LCD monitors and flat digital TVs. The Group will continue to explore opportunities to foster strategic partnerships with more upstream suppliers, in a range of joint product development and marketing efforts.