

> REPORT OF THE DIRECTORS



The directors submit their annual report together with the audited accounts for the year ended 31st December 2000.

Change of Company's Name

By a special resolution passed on 5th May 2000, the name of the Company was changed from TPV Holdings Limited to TPV Technology Limited.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 14 to the accounts.

An analysis of the Group's turnover and contribution to operating profit for the year by market and by product type is set out in note 2 to the accounts.

Results and Appropriations

The results for the year are set out in the consolidated profit and loss account on page 34.

The directors have declared an interim dividend of US0.21 cent per ordinary share, totalling approximately US\$2,520,000, which was paid on 30th November 2000.

The directors recommend the payment of a final dividend of US0.44 cent per ordinary share, totalling approximately US\$5,336,000.

Reserves

Movements in the reserves of the Company and the Group during the year are set out in note 25 to the accounts.

Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 12 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to US\$60,000.

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Share Capital

Details of the movements in share capital of the Company are set out in note 24 to the accounts.

Distributable Reserves

Distributable reserves of the Company as at 31st December 2000, including contributed surplus, amounted to approximately US\$48,301,000 (1999: US\$49,100,000) (note 25).

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 75.

Purchase, Sale and Redemption of Shares

In October 2000, the Company repurchased 790,000 of its ordinary shares of US\$0.01 each through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at prices ranging from US9.6 cents (HK\$0.75) to US10.4 cents (HK\$0.81) per share, for a total consideration of US\$79,923 (HK\$623,400), as in the opinion of the directors, this will lead to enhancement of the earnings per share.

Apart from the above, the Company has not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Details of the repurchase of the Company's shares subsequent to the year end are set out in note 30 to the accounts.

Pre-emptive Rights

No pre-emptive rights exist under the laws of Bermuda in relation to the issue of new shares by the Company.

Directors

The directors during the year were:

Executive Directors

Dr Hsuan, Jason
 Mr Houg, Yu-Te
 Mr Lin, Yeun-Wu
 Mr Pen, Tseng-Kwan
 Mr Yang, Hsing-Nang
 Mr Djuhar, Johny (*note i*)

Non-executive Directors

Mr Pen, Stanley
 (also known as Pan, Fang-Jen)
 Mr Djuhar, Sutanto
 Mr Chan, Boon-Teong
 Dr Ku, Chia-Tai

- (i) Mr Djuhar, Johny was previously a non-executive director of the Company. On 12th May 2000, Mr Djuhar, Johny was appointed as an executive director of the Company.
- (ii) In accordance with Bye-law 99 of the Company's Bye-laws, Mr Lin, Yeun-Wu, Mr Chan, Boon-Teong and Dr Ku, Chia-Tai retire by rotation and, being eligible, offer themselves for re-election.
- (iii) None of the non-executive directors was appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Directors' Service Contracts

The executive director who is proposed for re-election at the forthcoming annual general meeting has service contract with the Company for an initial term of three years from 8th October 1999 and continuing thereafter until terminated by either party with at least three months advance notice in writing.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

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Biographical Details of Directors and Senior Management

Executive Directors

Dr Hsuan, Jason

Aged 57, the Chairman and Managing Director of the Group, joined the Group in November 1990 and is responsible for the Group's overall corporate policies and business development. Before joining the Group, he had over 19 years of managerial experience in well-known multi-national enterprises, which include General Electric and PepsiCo. Dr Hsuan graduated from National Cheng Kung University, Taiwan, and holds a doctorate degree of philosophy in systems engineering from the Polytechnic Institute of Brooklyn and a master's degree in systems engineering from Boston University.

Mr Houng, Yu-Te

Aged 54, Vice President, is responsible for the Group's general administration and financial operations. Mr. Houng holds a bachelor's degree in accounting from Soochow University, Taiwan. Before joining the Group in December 1996, he gained audit and finance experience with an international accounting firm in Taiwan and worked for a number of companies for over 28 years in charge of the accounting and financial operations.

Mr Lin, Yeun-Wu

Aged 61, Vice President, joined the Group in October 1994 and is responsible for the Group's manufacturing operations. Mr Lin holds a bachelor's degree in electrical engineering from Ta-Tung Institution of Engineering College, Taiwan. Before joining the Group, he had 30 years of experience working for several electronics companies in charge of the production of television sets, audio products and computer monitors.

Mr Pen, Tseng-Kwan

Aged 32, joined the Group as the Corporate Restructuring Specialist and assistant to Dr Hsuan, Jason in February 1994. Mr Pen holds a master's degree in business administration from Owen Graduate School of Management, Vanderbilt University, and a bachelor of science degree in computer engineering and industrial management from Carnegie-Mellon University. Mr Pen worked for several multi-national corporations. He is a son of Mr Pen, Stanley.

Mr Yang, Hsing-Nang

Aged 56, Vice President, joined the Group in April 1995 and is responsible for the Group's product design and development. Mr Yang holds a bachelor's degree in electrical engineering from National Cheng Kung University, Taiwan. Before joining the Group, he worked for the Sampo Group in Taiwan for over 26 years and was in charge of the design and development of television sets and computer monitors.

Mr Djuhar, Johnny

Aged 42, is a representative for Brilliant Way Investment Limited and a substantial shareholder of the Company. Mr Djuhar received his bachelor of science degree from Pacific Union College in the United States. He is a commissioner of P.T. Indocement, a cement manufacturing company listed in Indonesia. He is also a director of the China Pacific Group and Pacific Flour & Food (Fujian) Corporation Limited. He is a son of Mr Djuhar, Sutanto.

Biographical Details of Directors and Senior Management (continued)

Non-executive Directors

Mr Pen, Stanley (also known as Pan, Fang-Jen)

Aged 59, is a co-founder of the Group. Mr Pen graduated from the World College of Journalism. He is the Chairman of AOC International as well as Pentun Trade & Development Inc., Taiwan.

Mr Djuhar, Sutanto

Aged 73, is a co-founder of the Group. Mr Djuhar, born in Indonesia, was the founder of P.T. Indocement, a cement manufacturing company listed in Indonesia, and P.T. Bogasari Flour Mills. He is also the Chairman of the China Pacific Group and a director of First Pacific Company Limited, a listed company in Hong Kong.

Independent Non-executive Directors

Mr Chan, Boon-Teong

Aged 58, was graduated from Imperial College of the University of London with a bachelor's degree in electrical engineering. Mr Chan also holds a master's degree in electrical engineering and operational research from the Polytechnic University of New York City. He has over 29 years of experience in the commercial, industrial and real estate business in the Southeast Asia region. He was a director of the former Kowloon Stock Exchange in 1973. He is currently the Chairman of Coastal Realty Group Limited, a listed company in Hong Kong. Mr Chan is also a member of the Fujian Province Chinese People's Political Consultative Congress. He was appointed as an independent non-executive director of the Company in May 1998.

Dr Ku, Chia-Tai

Aged 58, holds a bachelor's degree in electrical engineering from National Cheng Kung University, Taiwan, a master's degree in electrical engineering from Rutgers University of New Jersey and a doctorate degree in electrical engineering from the University of Pittsburgh, Pennsylvania. Dr Ku has over 23 years of managerial experience in the computer and telecommunications industries. He is currently the Senior Advisor to the Chairman of Far Eastone Telecommunications Company Limited, Taiwan. Dr Ku was appointed as an independent non-executive director of the Company in May 1998.

Senior Management

Mr Liu, Houg-Ya

Aged 56, Vice President, is in charge of manufacturing and quality assurance of the Group. Mr Liu holds a bachelor's degree in electrical engineering from National Cheng Kung University, Taiwan. Prior to joining the Group in May 1999, he worked for an international electrical appliances company in Taiwan for over 30 years.

Mr Hsieh, Chi-Tsung

Aged 49, Assistant Vice President – Purchasing, holds a bachelor's degree in mechanical engineering from Fong-Ja University, Taiwan. Prior to joining the Group in 1994, he worked for a number of well-known monitor manufacturers in Taiwan as purchasing supervisor for over 23 years.

Mr Bernie B.C. Lu

Aged 54, Assistant Vice President – Research and Development, was graduated from National Cheng Kung University, Taiwan, with a bachelor's degree in science and a master's degree in electrical engineering. Prior to joining the Group in November 1999, he worked for the Sampo Group in Taiwan for over 25 years and was in charge of manufacturing and research and development.

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Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Equity or Debt Securities

At 31st December 2000, the interests of the directors in the shares of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Interests in ordinary shares of US\$0.01 each

Name of director	Name of company	Type of interest	Number of shares held
Mr Pen, Stanley	The Company	Corporate (note 1)	572,366,318
	Fields Pacific Limited	Corporate (note 1)	572,366,318
Mr Djuhar, Sutanto	The Company	Corporate (note 2)	197,008,500
	Brilliant Way Investment Limited ("BW")	Corporate (note 2)	197,008,500
	Pacific Industries and Development Limited ("PIDL")	Corporate (note 2)	197,008,500
Mr Djuhar, Johnny	The Company	Corporate (note 2)	197,008,500
	BW	Corporate (note 2)	197,008,500
	PIDL	Corporate (note 2)	197,008,500
Dr Hsuan, Jason	The Company	Personal and Family (note 3)	32,148,646
Mr Houng, Yu-Te	The Company	Personal	3,060,643
Mr Lin, Yeun-Wu	The Company	Personal	6,000,000
Mr Pen, Tseng-Kwan	The Company	Corporate (note 4)	20,404,288
	JCP Venture Limited	Corporate (note 4)	20,404,288
Mr Yang, Hsing-Nang	The Company	Personal	6,121,286

Directors' Interests in Equity or Debt Securities (continued)

Notes:

- (1) The shares are held by Fields Pacific Limited, a company beneficially and wholly owned by Mr Pen, Stanley.
- (2) The shares are held by BW, a wholly-owned subsidiary of PIDL. PIDL is a company owned as to 50 per cent. by KMP Atlantic Limited, as to 25 per cent. by Mr Djuhar, Sutanto, as to 12.5 per cent. by Mr Djuhar, Johny, and as to the remaining 12.5 per cent. by another shareholder.
- (3) Out of the 32,148,646 shares, 2,040,428 shares are held by the spouse of Dr Hsuan, Jason.
- (4) The shares are held by JCP Venture Limited, a company beneficially and wholly owned by Mr Pen, Tseng-Kwan and his spouse.

At no time during the year, the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of SDI Ordinance).

Apart from the foregoing, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

Substantial Shareholders

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st December 2000, the Company had been notified of the following substantial shareholders' interests, being 10 per cent. or more of the Company's issued share capital, in addition to those substantial shareholders' interests disclosed above under the paragraph headed "Directors' Interests in Equity or Debt Securities".

Name of shareholder	Number of ordinary shares
KMP Atlantic Limited	197,008,500
Mr Salim, Anthoni	197,008,500
Mr Halim, Andree	197,008,500

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Substantial Shareholders (continued)

The above shares are held by BW, a wholly-owned subsidiary of PIDL. PIDL is a company owned as to 50 per cent. by KMP Atlantic Limited, as to 25 per cent. by Mr Djuhar, Sutanto, as to 12.5 per cent. by Mr Djuhar, Johny, and as to the remaining 12.5 per cent. by another shareholder. KMP Atlantic Limited is owned as to 48.3 per cent. by Mr Salim, Anthoni, as to 48.3 per cent. by Mr Halim, Andree and as to the remaining 3.4 per cent. by other parties.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	19.3%
– five largest suppliers combined	51.1%

Sales

– the largest customer	15.3%
– five largest customers combined	51.6%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5 per cent. of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

Connected Transactions

- (a) Significant related party transactions entered into by the Group during the year ended 31st December 2000, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are disclosed in note 29 to the accounts.

Connected Transactions (continued)

- (b) Details of other related party transactions, which also constitute as connected transactions under the Listing Rules required to be disclosed in accordance with Chapter 14 of the Listing Rules, are as follows:
- (i) On 16th July 1999, the Group entered into a tenancy agreement with AOC International to lease certain properties located in Taipei, Taiwan for five years from 1st July 1999 to 30th June 2004 at an aggregate rental of NT\$33,597,000 (US\$1,068,267). The properties are used for the Group's administration, sale and marketing, and research and development departments. AOC International is 57.7 per cent. owned by the controlling shareholder of the Company, Mr Pen, Stanley. This tenancy agreement constitutes a connected transaction under the Listing Rules, to which the Stock Exchange has, subject to certain conditions, granted a conditional waiver to the Company from compliance with the disclosure requirements as stipulated in Rule 14.25(1) of the Listing Rules. The transaction has been reviewed by the board of directors, including the independent non-executive directors, who are of the opinion that it was conducted in accordance with the terms of the tenancy agreement and entered into on normal commercial terms which are fair and reasonable.
 - (ii) Prior to the listing of the Company, a subsidiary of the Company, Top Victory Electronics (Fujian) Company Limited ("TV Fujian") entered into a counter guarantee arrangement (the "Arrangement") with Orient (Xiamen) Golf Country Club Recreation Company Limited ("Orient Xiamen"), a company which has a common shareholder with the Company and is a connected person within the meaning of the Listing Rules. Pursuant to the Arrangement, TV Fujian provided a corporate guarantee to a bank for a loan facility of US\$6.5 million granted to Orient Xiamen. In return, Orient Xiamen provided a guarantee to the same bank for credit facilities of US\$25.0 million granted to TV Fujian. Details of the Arrangement were disclosed in the prospectus of the Company dated 27th September 1999. TV Fujian was released from the corporate guarantee during the year.

Compliance with the Code of Best Practice of the Listing Rules

In the opinion of the directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules during the year, except that the non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Bye-laws of the Company.

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Disclosure pursuant to Practice Note 19 of the Listing Rules

In accordance with the requirements under paragraph 3.10 of Practice Note 19 of the Listing Rules, the Company is required to include in its annual report a pro forma combined balance sheet of its affiliated companies which should include significant balance sheet classifications and state the attributable interest of the Group in the affiliated companies.

At 31st December 2000, the Group had trade receivables totalling approximately US\$28.0 million due from an associated company and guarantees amounting to US\$59.0 million provided to certain banks for credit facilities given to a jointly controlled entity. The aggregate amount of approximately US\$87.0 million exceeded 25% of the Group's net assets as at 31st December 2000. A pro forma combined balance sheet and the Group's attributable interest in these jointly controlled entity and associated company as at 31st December 2000, being the latest practicable date for the purpose of such disclosure, are presented below:

	Pro forma combined balance sheet		Group's attributable interest	
	2000 US\$'000	1999 US\$'000	2000 US\$'000	1999 US\$'000
Fixed assets	19,071	14,838	9,099	7,087
Goodwill	3,429	3,687	823	885
Other assets	232	89	96	21
Current assets	175,157	120,566	67,225	43,033
Current liabilities	(163,472)	(109,208)	(61,480)	(37,045)
Other long-term liabilities	(1,754)	(2,590)	(842)	(1,043)
Net assets	32,663	27,382	14,921	12,938
Share capital	29,934	27,432	13,528	12,927
Reserves	2,729	(50)	1,393	11
	32,663	27,382	14,921	12,938

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the board of directors and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr Chan, Boon-Teong and Dr Ku, Chia-Tai. Two meetings were held during the financial year.

Subsequent Events

Details of options granted by the Company under the share option scheme and repurchase of the Company's shares subsequent to the year end are set out in note 30 to the accounts.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr HSUAN, Jason

Chairman

Hong Kong, 19th April 2001