

## Chairman's Statement

*2001 is a year of focus and consolidation for TVH. We have been critically re-examining our position and competitiveness in various business sectors in order to fine-tune our business strategies for and to re-allocate our resources among our operating units.*



Dear Members,

The year 2000 was a difficult period for the information technology industry. Not only did we experience a slow-down in the industry in general, but the 'dotcom' phenomenon which arrived and departed so abruptly has also caused confusion among many people both within and outside the industry. Last year, when the 'dotcoms' were at their apex of their development, the public suddenly developed a new perspective on as well as considerable interest in the IT industry while many industry participants, including us, shifted part of their focus and resources to capture the new business opportunities expected to present themselves with the 'e'-era. Now, with the 'dotcom' phenomenon behind us, many people have veered to the other extreme and are, in my opinion, overly cautious about the industry; and many industry participants are, again in my opinion, overly pessimistic about the future of e-business development.

As a participant in the IT industry, we are not insulated from the global slow-down in the development of e-business and our software development operations have inevitably been affected. Although the division has experienced some difficulties over the past year, we believe the experience acquired and lessons learned in the process have enabled the team to refocus and position themselves better in the market. We maintain full confidence in our team. We also believe the industry adjustments seen last year were a healthy sign and will ultimately help the New Economy build a more sturdy and lasting platform for the continued development of e-business which we believe is here to stay.

The Group's mainframe systems-integration operations have also experienced a slow-down in growth rate after years of robust growth. We believe this is an industry phenomenon. To achieve a healthy and steady growth for this operation in the future, investments and all-out efforts have been and are being made to enhance the service and applications development elements within our projects. In addition, we have successfully expanded our industry coverage and product offerings through our new member, Advanced Digital Technology (ADT).

Performance of our peripherals systems-integration operations was encouraging. The team maintains a clear and focused objective of becoming a leading ATM systems integrator in China. In 2000, we have made considerable grounds in the ATM market by, for the first time, becoming one of the top five NCR ATM integrators in China. As we gain increased market share in the ATM market, we foresee continued pressure on our pricing strategy, which will in turn lead to lower margins. The team intends to make up this anticipated lowering in margins by, on the one hand, obtaining additional discounts from vendors as the volume of business grows and, on the other, by expanding the ATM machine services operations which command higher margins. In short, our increasing market share and the considerable growth of this business line are likely to continue throughout 2001.

In September last year, TVH completed the acquisition of a 55% interest in ADT for a total consideration of HK\$68.2 million of which HK\$31.45 million is payable upon ADT meeting of the profit guarantee in respect of the acquisition. ADT is a company engaged in the provision of systems integration, software development, engineering, maintenance and professional outsourcing services, customized for banking and finance, telecommunications and public sector clients. Through this acquisition, we have combined the technology focus, marketing networks and IT talent of the Group's existing mainframe SI team with those of ADT. This acquisition also makes the Group the owner and operator of one of the largest and most experienced banking and finance SI teams in China.

We also entered into an agreement in November last year to acquire a 51% stake in DMX Technologies (Hong Kong) Limited (formerly Skynet Consultants Company Limited), a systems integrator specializing in Internet Protocol networking, Internet security and Web-based television solutions in Hong Kong, China and certain other countries in Asia. DMX Technologies' IP network infrastructure skills have given the Group fast-track re-entry to the data communications business as we promised our shareholders at the beginning of last year. We believe that the addition of DMX Technologies will not only benefit the Group financially through its profit contribution; but will also contribute added value through its industry insights and knowledge. The consideration for this acquisition totalled HK\$140 million (subject to adjustments).

The year 2000 was not without difficulty for TVH. We ended the year with a total turnover of approximately HK\$417,247,000, an increase of approximately 19% from 1999, and a profit attributable to shareholders of approximately HK\$18,213,000, a decrease of approximately 47% from 1999. 2001 is a year of focus and consolidation for TVH. We have been critically re-examining our position and competitiveness in various business sectors in order to fine-tune our business strategies for and to re-allocate our resources among our operating units. Another major task for us this year is to consolidate the ADT and DMX Technologies teams into the Group and to create as much synergy among the various business divisions as possible. One of the steps we have taken in this direction was the establishment of an intra-divisional corporate development team comprised of members from each business division to be responsible for formulating corporate business strategies and direction for the Group.

## Chairman's Statement *(continued)*

We are pleased to report that ChinaCast Technology (CCT), in which TVH holds a 19.9% interest, in September 2000 received total investments of US\$28.6 million from Hughes Network Systems (HNS), Intel Capital and SUNeVision (HKGEM: 8008). CCT is committed to the ongoing evolution of Internet and broadband services in China, and has supported the launch of Turbo163, the first nationwide satellite-based broadband service in the country. This pioneering broadband service was inaugurated in Beijing in January 2001.

With the State's vision to make China the region's information hub of tomorrow, our teams across the country are now poised to help realize this transformation into a new Digital China. In the next section, team members of our various units will report their achievements in 2000 and their plans for the future.

We are also proud to announce that TVH was named one of the world's best 300 SMEs for 2001, by FORBES GLOBAL, as selected from 20,000 enterprises by polling money managers, securities analysts and entrepreneurs around the world.

As a final note, I would like to thank all our staff, our technology and business partners and shareholders for their support over the year. I would also like to welcome ADT and DMX Technologies to our family. I am sure that together we can make TVH a much more successful company.



**Chan Tze-ngon, Ron**

*Chairman*

Hong Kong, 25 April 2001