

Chairman's Statement

"There is always a better way for everthing."



"Tough times don't last, tough people do."

Year 2001 was no doubt a year of trying for all businesses, especially for those in the PC industry when they endured their first setback. Gone were the days that were endowed with propitious business climate and strong consumer confidence. In the face of an untoward year, we had positioned ourselves with a renewed set of objectives: to expand market share and to broaden product spectrum.

While entrenched economic issues deterred market demand, I am pleased to announce that TPV has passed another financial milestone by becoming a billion dollar sales company. Consolidated turnover for the year topped US\$1.2 billion, representing an increase of 29.6 percent over the US\$961.7 million recorded in the previous year. In line with the turnover growth, profit attributable to shareholders soared to US\$43.3 million (Year 2000: US\$33.3 million), which translated into a basic earnings per share of US3.57 cents (Year 2000: US2.77 cents). These impressive results clearly testified TPV's strength and resilience in this challenging industry.

It is encouraging to see that TPV has grown from a small monitor maker to today's leading display solutions provider. All along, I do not expect miracle. But I do expect all of us to work diligently and unfalteringly. With the weaker links ousted, the survived ones in the industry are keen competitors. Hence, we have to be vigilant and respond adroitly to stay ahead of competition. Last year, we had made several strategic moves, which elevated our business to a new height.

STRATEGIC MOVES ...

LCD monitors were the trumps in the midst of a stagnant PC market and would still be the pillar of growth in the coming recovery. To cope with the surge in LCD demand, we ramped up our output from less than 30,000 units in the first quarter of 2001 to over 400,000 units in the fourth quarter. The 846,452 units we shipped in aggregate in 2001 had made TPV the fifth largest LCD monitor maker in the world. With a strong distribution network and a diversified ODM customer base, we are poised to embrace the LCD boom. Our goal for this year is to double our output and capture 8 percent of global market share. Ambitious as it may seem, I believe our will will make it possible.

In order to build sustainable value at the manufacturing level, we have begun the production of a number of key components at our Fuqing plant early this year. The in-house production will not only assure us of a reliable supply, but also bring us cost advantages and technological edges over our peers.

Our resolve to provide global sales and logistics supports underpinned our decisions to set up two wholly-owned subsidiaries in the US and the Netherlands, and a liaison office in India. To ride the wave of outsourcing from Japanese makers, we also opened an office in Japan to exploit new contract manufacturing opportunities.



CHINA MARKET ...

Despite the lingering macro concerns, demand for PCs has remained brisk in China. With a proliferating computer user base, fuelled further by a rising per capita income and the recent accession to the WTO, China will soon overtake Japan to become the second largest PC market in the world. TPV, being the No. 1 monitor supplier in China, is well-positioned to reap the benefits of this development. In order to fortify our stronghold of this enormous market, we have been deploying our resources into brand building through collaborative campaigns with our distributors across the country. Our efforts thus far have made AOC the most recognized monitor brand in China in 2001*.

*Source: China Center for Information Industry Development, November 2001

FOREWARNED IS FOREARMED...

In view of the fluid state of the economy, the management has decided to adhere to a conservative approach to take on new challenges. We shall stay the course and focus on what we do best until the global economy revives. In the near term, our industry is threatened by the risks of panel shortage and price hike. The surge in demand for LCD monitors in the recent months has abruptly tilted the equilibrium of the panel market into the suppliers' favour. Although the short-term constraints in supply have driven panel prices up by almost 30 percent from their lows recorded in October last year, I do not anticipate further upward price pressure for the rest of this year. With new capacity from 5G fabs coming on stream over the next twelve to eighteen months, there will be ample supply of panels by the second half of 2003 to cure the imbalance and relieve the price pressure. Meanwhile, our position as the largest independent manufacturer in the industry will enable us to secure panels from all major suppliers; our flexibility in product design will enable our monitors to accommodate panels from different makers; and our in-house production of key components will reduce our production and transportation costs. These elements will mitigate the imminent risks of our LCD business.



BUILDING A BETTER FUTURE...

Looking back at 2001, I noticed that there was a slight shift in our market mix. While sales performance continued to be strong in our core markets, namely Europe and the PRC, sales to North America had doubled and represented 17.0 percent (Year 2000: 9.0 percent) of consolidated turnover. Going forward, I expect North America to contribute further to our revenue growth given the continuous success of our branded products in the retail and distribution channels and the increasing ODM shipments to that market. In view of the volatile economic condition in South America, we have deliberately reduced our exposure to that region and will remain so until the economy rebounds.

I understand the importance of new revenue streams to our long-term growth. Since last year, we have begun the development of digital TV devices by using plasma and LCD technologies, both of which are natural extensions to our core competence. Although China has yet finalized its decision on digital TV standard, we will continue to fine-tune our designs and introduce these products to the market when the time comes.

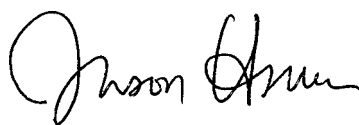
TPV is thriving in the tough operating environment. To remain successful, the management will chart a course basing on our manufacturing excellence and continue to seek improvement in all respects of operation. Because, I believe there is always a better way for everything.

APPRECIATION

In closing, I would like to express my heartfelt thanks to all our dedicated employees, our management team and our Board of Directors, who have put in tremendous efforts to make this a commendable year.

I would also like to take this opportunity to thank Mr Lin Yeun-Wu, Executive Director and Vice President, who resigned recently, for his contribution to the Group in the last seven years. Mr Lin has since become the General Manager of Beijing Orient Top Victory Electronics Company Limited. On behalf of the Board, I wish him every success in his future endeavours.

Finally, my gratitude goes to our shareholders, customers and suppliers, and advisors for their continuous supports of TPV throughout the year.



Dr HSUAN, Jason

Chairman

Hong Kong, 8th April 2002

