



TPV TECHNOLOGY LIMITED

冠捷科技有限公司
(於百慕達註冊成立之有限公司)

2002年 中期業績報告

FINANCIAL HIGHLIGHTS

	30 June 2002 (US\$'000)	30 June 2001 (US\$'000)	% Change
Consolidated turnover	711,603	532,705	+33.6
Profit attributable to shareholders	25,032	19,847	+26.1
Basic earnings per share (US cents)	2.03	1.64	+23.8
Interim dividend per share (US cent)	0.28	0.26	+7.7

Financial Position	30 June 2002 (US\$'000)	31 December 2001 (US\$'000)	% Change
Total assets	638,776	562,227	+13.6
Cash and deposits	108,699	86,021	+26.4
Total bank borrowings	99,321	26,461	+275.3
Shareholders' funds	217,451	158,735	+37.0

Financial Ratios	30 June 2002	31 December 2001
Inventory turnover (days)	47.7	48.1
Accounts receivable turnover (days)	53.3	61.6
Accounts payable turnover (days)	81.2	92.4
Return on average equity (%)	26.6	30.7
Return on average total assets (%)	8.3	8.1
Current ratio (%)	153.1	121.9
Gearing ratio (%)	15.5	4.7
Interest coverage (times)	20.0	7.6
Dividend payout ratio (%)	14.9	15.9

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

		Unaudited	
		Six months ended 30th June	
		2002	2001
	Note	US\$'000	US\$'000
Turnover	2	711,603	532,705
Cost of goods sold		(653,688)	(486,325)
Gross profit		57,915	46,380
Other revenues		1,316	1,394
Selling and distribution expenses		(16,972)	(10,875)
Administrative expenses		(10,101)	(7,652)
Research and development expenses		(5,195)	(3,451)
Other operating expenses		-	(21)
Operating profit	2, 3	26,963	25,775
Finance costs		(1,253)	(3,317)
Share of profits of			
– a jointly controlled entity		-	1,287
– associated companies		1,983	41
Profit before taxation		27,693	23,786
Taxation	4	(2,661)	(3,939)
Profit attributable to shareholders		25,032	19,847
Interim dividend	5	3,729	3,159
Earnings per share	6		
– Basic		US2.03 cents	US1.64 cents
– Fully diluted		US1.96 cents	US1.61 cents

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2002 AND 31ST DECEMBER 2001**

	Note	Unaudited 30th June 2002 US\$'000	Audited 31st December 2001 US\$'000
Fixed assets	7	43,702	45,354
Intangible assets	8	6,607	6,866
Interests in associated companies		19,538	17,727
Other investments		602	602
Current assets			
Inventories, at cost		211,453	130,035
Trade receivables	9	129,445	192,829
Amounts due from associated companies		43,376	50,175
Deposit to a supplier	10	50,000	–
Other deposits, prepayments and other receivables		25,354	32,618
Pledged bank deposits		39,833	36,662
Bank balances and cash		68,866	49,359
		<u>568,327</u>	<u>491,678</u>
Current liabilities			
Trade payables	11	257,808	324,191
Other payables and accruals		49,019	42,192
Amount due to an associated company		938	–
Amount due to a shareholder	12	2,000	–
Taxation payable		1,503	2,077
Warranty provisions	13	10,736	8,571
Short-term bank loans, secured	14	49,321	26,461
		<u>371,325</u>	<u>403,492</u>
Net current assets		<u>197,002</u>	<u>88,186</u>
Total assets less current liabilities		<u>267,451</u>	<u>158,735</u>
Financed by			
Share capital	15	13,317	12,154
Reserves		200,405	140,747
Proposed dividends		3,729	5,834
		<u>204,134</u>	<u>146,581</u>
Shareholders' funds		217,451	158,735
Non-current liabilities			
Long-term bank loan, unsecured	16	50,000	–
		<u>267,451</u>	<u>158,735</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

	Unaudited	
	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
		<i>(Restated)</i>
Net cash (outflow)/inflow from operating activities	(75,533)	25,622
Net cash outflow from investing activities	(7,080)	(9,400)
Net cash inflow/(outflow) from financing activities	101,896	(8,476)
Increase in cash and cash equivalents	19,283	7,746
Cash and cash equivalents at the beginning of the period	49,359	29,017
Effect of foreign exchange rate changes	224	(167)
Cash and cash equivalents at the end of the period	68,866	36,596
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	68,866	36,596

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Unaudited									
	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Share redemption reserve US\$'000	Exchange reserve US\$'000	Reserve fund US\$'000	Merger difference US\$'000	Retained profits US\$'000	Total US\$'000	
At 1st January 2002	12,154	28,129	4,166	11	(7,169)	13,989	10,001	97,454	158,735	
2001 final dividend paid	-	-	-	-	-	-	-	(5,887)	(5,887)	
Issue of new shares pursuant to exercise of share options (Note 15)	113	841	-	-	-	-	-	-	954	
Allotment of new shares (Note 15)	1,050	37,343	-	-	-	-	-	-	38,393	
Profit for the period	-	-	-	-	-	-	-	25,032	25,032	
Exchange differences	-	-	-	-	224	-	-	-	224	
At 30th June 2002	13,317	66,313	4,166	11	(6,945)	13,989	10,001	116,599	217,451	
Represented by:										
Reserves	13,317	66,313	4,166	11	(6,945)	13,989	10,001	112,870	213,722	
Proposed interim dividend	-	-	-	-	-	-	-	3,729	3,729	
At 30th June 2002	13,317	66,313	4,166	11	(6,945)	13,989	10,001	116,599	217,451	
At 1st January 2001 as previously reported	12,128	27,583	4,166	8	(6,948)	8,629	10,001	62,630	118,197	
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	-	5,337	5,337	
At 1st January 2001 as restated	12,128	27,583	4,166	8	(6,948)	8,629	10,001	67,967	123,534	
2000 final dividend paid	-	-	-	-	-	-	-	(5,337)	(5,337)	
Issue of new shares under a scrip dividend scheme	24	454	-	-	-	-	-	-	478	
Repurchase of shares	(3)	(28)	-	3	-	-	-	(3)	(31)	
Profit for the period	-	-	-	-	-	-	-	19,847	19,847	
Exchange differences	-	-	-	-	(176)	-	-	-	(176)	
At 30th June 2001	12,149	28,009	4,166	11	(7,124)	8,629	10,001	82,474	138,315	
Represented by:										
Reserves	12,149	28,009	4,166	11	(7,124)	8,629	10,001	79,315	135,156	
Proposed interim dividend	-	-	-	-	-	-	-	3,159	3,159	
At 30th June 2001	12,149	28,009	4,166	11	(7,124)	8,629	10,001	82,474	138,315	

NOTES TO INTERIM CONDENSED ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These interim condensed accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2001. The Group has adopted certain new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002 and are applicable to the Group.

The effect of adopting these new or revised standards are set out below:

- | | | |
|-----|--------------------|--------------------------------------|
| (a) | SSAP 1 (revised): | Presentation of financial statements |
| | SSAP 15 (revised): | Cash flow statements |
| | SSAP 25 (revised): | Interim financial reporting |

Upon adoption of SSAP 1 (revised), SSAP 15 (revised) and SSAP 25 (revised), certain presentational changes have been made in the interim condensed accounts. There is no change in accounting policies upon adoption of these revised Standards.

- | | | |
|-----|--------------------|------------------------------|
| (b) | SSAP 11 (revised): | Foreign currency translation |
|-----|--------------------|------------------------------|

No change is required upon adoption of SSAP 11 (revised) as the Group's accounting policy in this regard is consistent with the revised Standard.

- | | | |
|-----|----------|-------------------|
| (c) | SSAP 34: | Employee benefits |
|-----|----------|-------------------|

The new Standard provides the recognition basis for employee benefits including short-term employee benefits, post-employment benefits, termination benefits and other long-term employment benefits. The effect on the accounts of the Group upon adoption of SSAP 34 is not material to the current and prior periods.

2 Segment information

The Group is organised on a worldwide basis into three main business segments: CRT monitors, LCD monitors and others (including production of CKD/SKD, scanners and the trading of spare parts).

2 Segment information (continued)

Primary reporting format – business segments

An analysis of the Group's revenue and results for the period by business segment is as follows:

	Six months ended 30th June 2002			
	US\$'000			
	CRT monitors	LCD monitors	Others	Group
Turnover	<u>391,743</u>	<u>308,669</u>	<u>11,191</u>	<u>711,603</u>
Cost of goods sold	(351,318)	(291,406)	(10,964)	(653,688)
Other revenues	69	12	4	85
Operating expenses	<u>(23,656)</u>	<u>(7,266)</u>	<u>(1,346)</u>	<u>(32,268)</u>
Segment profit/(loss)	<u>16,838</u>	<u>10,009</u>	<u>(1,115)</u>	<u>25,732</u>
Interest income				678
Miscellaneous income				<u>553</u>
Operating profit				26,963
Finance costs				(1,253)
Share of profits of – associated companies	<u>1,983</u>			<u>1,983</u>
Profit before taxation				<u>27,693</u>
Taxation				<u>(2,661)</u>
Profit attributable to shareholders				<u>25,032</u>
	Six months ended 30th June 2001			
	US\$'000			
	CRT monitors	LCD monitors	Others	Group
Turnover	<u>458,711</u>	<u>47,846</u>	<u>26,148</u>	<u>532,705</u>
Cost of goods sold	(416,843)	(44,202)	(25,280)	(486,325)
Other revenues	133	–	10	143
Operating expenses	<u>(19,816)</u>	<u>(878)</u>	<u>(1,305)</u>	<u>(21,999)</u>
Segment profit/(loss)	<u>22,185</u>	<u>2,766</u>	<u>(427)</u>	<u>24,524</u>
Interest income				825
Miscellaneous income				<u>426</u>
Operating profit				25,775
Finance costs				(3,317)
Share of profits of – a jointly controlled entity	1,287			1,287
– an associated company	<u>41</u>			<u>41</u>
Profit before taxation				23,786
Taxation				<u>(3,939)</u>
Profit attributable to shareholders				<u>19,847</u>

There are no sales or other transactions between the business segments.

2 Segment information (continued)

Secondary reporting format – geographical segments

Although the Group's three main business segments are managed on a worldwide basis, they operate in six main geographical areas.

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segment is as follows:

	Turnover		Operating profit/(loss)	
	Six months ended		Six months ended	
	30th June		30th June	
	2002	2001	2002	2001
	US\$'000	US\$'000	US\$'000	US\$'000
Geographical segments:				
Europe	253,404	203,638	10,654	9,568
North America	155,517	85,008	6,829	3,967
South America	8,171	12,917	(1,060)	(308)
Africa	5,202	7,592	77	475
Australia	10,111	6,629	1,202	317
Asia				
– the PRC	180,114	162,871	6,103	8,712
– other Asian countries	99,084	54,050	3,158	3,044
	711,603	532,705	26,963	25,775

Sales are based on the country in which the final destination of shipment is located. There are no sales between the segments.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended	
	30th June	
	2002	2001
	US\$'000	US\$'000
<u>Crediting</u>		
Gain on disposal of other investments	–	242
Net exchange gains	12	740
<u>Charging</u>		
Depreciation	8,619	7,298
Staff costs (including directors' emoluments and retirement benefit costs)	14,550	11,572
Retirement benefit costs	118	117
Amortisation of intangible assets	259	261
Loss on disposal of fixed assets	113	37
Provision for doubtful debts	1,047	825

4 Taxation

No provision has been made for Hong Kong profits tax as the Group has no profit assessable to Hong Kong profits tax for the period (six months ended 30th June 2001: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
Overseas taxation		
Current year	2,489	3,308
Fiscal refund	-	(635)
Under provision in prior periods	-	1,144
	2,489	3,817
Share of taxation attributable to:		
- a jointly controlled entity	-	122
- associated companies	172	-
	2,661	3,939

In accordance with an approval document issued by the Fuqing Municipal Finance Bureau dated 28th June 1999, a subsidiary of the Group is entitled to fiscal refunds totalling approximately US\$2.55 million, in respect of the profits tax for the year ended 31st December 1999 and prior years. However, based on a circular issued by the State Council dated 11th January 2000, local bureaus are not allowed to make any further tax refunds subsequent to 1st January 2000 unless they are approved by the State Council.

The amount of approximately US\$635,000 for the six months ended 30th June 2001 represented the remaining balance of the above-mentioned refundable amount received from the Fuqing Municipal Finance Bureau during the period.

5 Interim dividend

	Six months ended 30th June	
	2002	2001
	US\$'000	US\$'000
2002 Interim, declared on 4th September 2002 of US0.28 cent (2001: US0.26 cent) per ordinary share	3,729	3,159

6 Earnings per share

The calculations of basic and fully diluted earnings per share are based on the Group's profit attributable to shareholders of US\$25,032,000 for the six months ended 30th June 2002 (six months ended 30th June 2001: US\$19,847,000).

The basic earnings per share is based on the weighted average number of 1,230,852,214 (2001: 1,212,558,117) ordinary shares in issue during the period.

The fully diluted earnings per share is based on 1,276,944,454 (2001:1,230,178,996) ordinary shares, being the weighted average number of ordinary shares in issue during the period plus the weighted average number of 46,092,240 (2001:17,620,879) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7 Capital expenditure

Property, plant and equipment US\$'000

Six months ended 30th June 2002

Opening net book amount	45,354
Additions	7,328
Disposals	(361)
Depreciation	(8,619)
	<u>43,702</u>

Closing net book amount

43,702

As at 30th June 2002, the net book value of fixed assets pledged to banks to secure banking facilities amounted to approximately US\$27.4 million (31st December 2001: US\$26.8 million).

8 Intangibles assets

	Goodwill US\$'000	Trademarks US\$'000	Total US\$'000
Six months ended 30th June 2002			
Opening net book amount	6,225	641	6,866
Amortisation charge	(232)	(27)	(259)
	<u>5,993</u>	<u>614</u>	<u>6,607</u>
Closing net book amount	5,993	614	6,607
At 30th June 2002			
Costs	7,010	800	7,810
Accumulated amortisation	(1,017)	(186)	(1,203)
	<u>5,993</u>	<u>614</u>	<u>6,607</u>
Net book amount	5,993	614	6,607
At 31st December 2001			
Cost	7,010	800	7,810
Accumulated amortisation	(785)	(159)	(944)
	<u>6,225</u>	<u>641</u>	<u>6,866</u>
Net book amount	6,225	641	6,866

9 Trade receivables

The ageing analysis of trade receivables is as follows:

	0-30 days US\$'000	31-60 days US\$'000	61-90 days US\$'000	91-120 days US\$'000	Over 120 days US\$'000	Total US\$'000
Balance at 30th June 2002	77,995	30,569	10,693	6,719	3,469	129,445
Balance at 31st December 2001	118,755	50,077	11,012	1,596	11,389	192,829

The credit terms of the Group's sales range from 30 to 120 days and certain of its export sales are on letter of credit or documents against payment.

10 Deposit to a supplier

During the period, the Group entered into two contracts with a major independent overseas supplier in order to secure the supply of certain LCD panels and in connection with which a total amount of US\$50.0 million was paid to that supplier as purchase deposit. The balance is interest-free, unsecured and will be utilised to set off against future purchases within twelve months from 30th June 2002.

11 Trade payables

The ageing analysis of trade payables is as follows:

	0-30 days US\$'000	31-60 days US\$'000	61-90 days US\$'000	Over 90 days US\$'000	Total US\$'000
Balance at 30th June 2002	87,376	50,658	42,065	77,709	257,808
Balance at 31st December 2001	161,545	64,352	46,859	51,435	324,191

12 Amount due to a shareholder

This amount is related to an indemnification recognised by a subsidiary to Mr Pen, Stanley, a non-executive director and shareholder of the Company. The nature of this indemnification is set out below.

Pursuant to an indemnity given in 1999, Mr Pen indemnified and held harmless the Group in respect of certain debts due from a company to the Group (the "Debts"). Details of this indemnity are set out in Appendix V of the prospectus issued by the Company on 27th September 1999. In 2000, the Group acquired this company from independent third parties. This company has since become a subsidiary of the Company.

The outstanding balance of the Debts at the material times was approximately US\$4,200,000 (of which US\$2,000,000 became matured in February 2002 while the remaining portion in the sum of approximately US\$2,200,000 is not yet due). In light of this, pursuant to the indemnity, during the six months ended 30th June 2002, Mr Pen paid a sum of US\$2,000,000 to the Group in settlement of this matured portion of the Debts. This matured portion of the Debts so paid by Mr Pen is unsecured, interest-free and have normal commercial terms of repayment. As the subsidiary has a legal obligation to repay this amount to Mr Pen, the amount is recognised as the subsidiary's liability.

13 Warranty provisions

	<i>US\$'000</i>
At 1st January 2002	8,571
Charged to the profit and loss account	6,709
Utilised during the period	<u>(4,544)</u>
At 30th June 2002	<u>10,736</u>

The Group gives three-year warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of US\$10.7 million has been recognised for expected warranty claims on products sold during the last three financial years. It is expected that the majority of this expenditure will be incurred in the next financial year, and all will be incurred within two years of the balance sheet date.

14 Short-term bank loans, secured

At 30th June 2002, approximately US\$27.4 million (31st December 2001: US\$26.8 million) of the carrying value of fixed assets, US\$46.0 million (31st December 2001: US\$46.0 million) of inventories and US\$39.8 million (31st December 2001: US\$36.7 million) of bank deposits have been pledged as security for the Group's bank borrowings.

15 Share capital

	30th June 2002 <i>US\$'000</i>	31st December 2001 <i>US\$'000</i>
<i>Authorised:</i>		
4,000,000,000 (31st December 2001: 4,000,000,000) ordinary shares of US\$0.01 each	<u>40,000</u>	<u>40,000</u>
<i>Issued and fully paid:</i>		
1,331,737,264 (31st December 2001: 1,215,381,264) ordinary shares of US\$0.01 each	<u>13,317</u>	<u>12,154</u>

A summary of the above movements in the issued share capital of the Company is as follows:

	Number of issued ordinary shares of <i>US\$0.01 each</i>	Par value <i>US\$'000</i>
<i>Note</i>		
At 31st December 2001	1,215,381,264	12,154
Issue of shares pursuant to exercise of share options	(a) 11,356,000	113
Subscription of shares	(b) <u>105,000,000</u>	<u>1,050</u>
At 30th June 2002	<u>1,331,737,264</u>	<u>13,317</u>

15 Share capital (continued)

The following alterations in the Company's issued share capital took place during the period:

- (a) On 26th February 2001, the Company granted 64,140,000 options (the "Options") under the share option scheme adopted on 21st September 1999 to certain employees.

The Options are exercisable at US\$0.09 (HK\$0.67) per share in three tranches: the maximum percentage of Options exercisable after the first, second and third anniversary from 26th February 2001 are 20 percent, 50 percent and 100 percent, respectively.

During the period, 11,356,000 new shares were issued upon exercise of Options under the share option scheme of the Company at an exercise price of US\$0.09 (HK\$0.67) per share.

- (b) On 29th May 2002, the Company entered into a subscription agreement with Fields Pacific Limited ("Fields") pursuant to which the Company allotted and issued to Fields 105,000,000 new shares of US\$0.01 each at a subscription price of US\$0.37 (HK\$2.92) per share totalling US\$38,850,000 (HK\$306,600,000) on 11th June 2002.

16 Long-term bank loan, unsecured

The loan is granted by a group of banks and is guaranteed unconditionally and irrevocably by two subsidiaries of the Company, namely Top Victory International Limited and Top Victory Investments Limited.

The long-term bank loan is repayable as follows:

	30th June 2002 US\$'000	31st December 2001 US\$'000
In the second year	12,500	–
In the third year	37,500	–
	50,000	–

17 Contingent liabilities

- (a) As at 30th June 2002, the Group had provided guarantees for banking facilities on behalf of an associated company amounting to approximately US\$25.0 million (31st December 2001: US\$39.4 million).
- (b) On 14th February 2001, two third party companies commenced legal actions in the United States of America against Envision Peripherals, Inc., an associated company and distributor of the Company. On 29th March 2001, these plaintiffs commenced further legal actions against Top Victory Electronics (Taiwan) Company Limited, a subsidiary of the Company. These actions claim damages related to alleged infringement of certain patents titled "Low-Power-Consumption Monitor Standby System" (the "Patents in Suit") by virtue of the defendants' making, using, offering for sale and/or selling computer monitors in the United States of America.

17 Contingent liabilities *(continued)*(b) *(continued)*

It is alleged in the claim that:

- (i) the Patents in Suit describe a method and apparatus for reducing the power consumption of a monitor by shutting down power-consuming circuits in the monitor if the computer has not been in use for a period of time; and
- (ii) the defendants infringed the Patents in Suit when they utilized in the monitors the Display Power Management Signaling standard promulgated by the Video Electronics Standards Association.

The directors are of the opinion that the claim is without merit and that an unfavourable outcome of the litigation is not probable. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement will not have any material financial impact on the Group as a whole.

- (c) As at 30th June 2002, the Group had outstanding commitment to sell Euros for US dollars under forward contracts of US\$8.0 million maturing on 30th August 2002 and US\$20.0 million maturing on 30th September 2002 respectively in order to hedge the Group's exposure in Euro arising from sales to Europe.

18 Commitments

- (a) Capital commitments for property, plant and equipment

	30th June 2002 US\$'000	31st December 2001 US\$'000
Contracted but not provided for	118	1,114

- (b) Commitments under operating leases

As at 30th June 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th June 2002 US\$'000	31st December 2001 US\$'000
Not later than one year	756	887
Later than one year and not later than five years	844	1,280
Later than five years	-	291
	1,600	2,458

19 Related party transactions

Saved as described in note 12 to the condensed accounts, significant related party transactions which were carried out in the normal course of the Group's business are as follows:

	Note	Six months ended 30th June	
		2002	2001
		US\$'000	US\$'000
Sale of finished goods to a jointly controlled entity and associated companies	(a)	88,345	75,404
Commission paid to an associated company	(b)	410	2,930
Purchase of raw materials, fixed assets and low value consumables from associated companies	(c)	11,289	–
Technical support service fee from an associated company	(d)	1,072	–
Warranty costs recovered from an associated company	(e)	<u>1,047</u>	<u>–</u>

Notes:

- (a) Sales of finished goods to a jointly controlled entity and associated companies were conducted in the normal course of business at prices and terms as determined by the transacting parties.
- (b) The amount of the commission paid to an associated company was agreed between the transacting parties.
- (c) The purchases of raw materials, fixed assets and low value consumables from associated companies were conducted in the normal course of business at prices and terms as determined by the transacting parties.
- (d) Technical support service fee received from an associated company was charged at terms as agreed by the transacting parties.
- (e) Warranty costs recovered from an associated company was charged at terms as agreed by the transacting parties.

20 Subsequent events

- (a) On 1st August 2002, the Company offered to grant 32,224,000 options (the "Options") under the share option scheme adopted on 21st September 1999 to certain employees. The Options are exercisable at US\$0.298 (HK\$2.325) per share, being the closing price on the date of granting of the Options, in two tranches: the maximum percentage of Options exercisable during the periods from 8th June 2004 to 31st July 2007 and from 8th June 2005 to 31st July 2007 are 50 percent and 100 percent, respectively.
- (b) On 3rd July 2002, the Group together with other shareholders of Beijing Orient Top Victory Electronics Company Limited ("BJOTV"), an associated company, entered into an agreement with certain investors pursuant to which shares were issued by BJOTV to the new investors. As a result of the increase in the share capital of BJOTV, the equity interest in BJOTV held by the Group was diluted from 48.0 percent to 41.74 percent and the financial effect of the dilution is not significant to the Group.

INTERIM DIVIDEND

The directors are pleased to declare an interim dividend of US0.28 cent per share payable in cash for the six months ended 30th June 2002 to shareholders whose names appear on the registers of members of the Company on Monday, 23rd September 2002.

The interim dividend is payable in US dollars save that those shareholders whose names appear on the register of members of the Company in Hong Kong will receive the equivalent amount in HK dollars and those shareholders whose names appear on the record of members of the Company in Singapore will receive the equivalent amount in Singapore dollars, both calculated at the relevant exchange rates quoted by Standard Chartered Bank in Hong Kong at or about 11:00 a.m. on 23rd September 2002.

The dividend cheques will be distributed to shareholders on or about Thursday, 10th October 2002.

BUSINESS REVIEW

Mounting concerns over the economic outlook, wild gyrations in equities and fading business confidence dominated the world scene in the first half of 2002. The upturn of PC shipments resulting from aggressive restocking along the supply chain was short-lived as end market demand failed to live up to expectation in the second quarter. In this weak operating environment, TPV shipped 5.1 million units of computer monitors (including chassis, complete-knockdown and semi-knockdown kits) in the first six months of 2002 (2001: 4.5 million units) and posted a 33.6 percent year-on-year growth in turnover to US\$711.6 million. Profit attributable to shareholders of US\$25.0 million represented a gain of 26.1 percent, well above the Group's benchmark growth target of 20.0 percent a year. Basic earnings per share grew 23.8 percent to US2.03 cents (2001: US1.64 cents), reflecting the dilution effect of the Group's recent share placement.

For the period under review, the Group's ODM business featured strong performance in all core markets, accounting for 76.6 percent of consolidated turnover. Business in North America more than tripled to US\$76.5 million from a year earlier helped mainly by newly secured orders from that region. The Group's branded business, on the other hand, recorded an 11.2 percent year-on-year growth in line with the industry. From a geographical perspective, North America, Europe and the PRC all put on double-digit growth, contributing 21.9 percent, 35.6 percent and 25.3 percent respectively to the consolidated turnover. While global economic conditions would likely remain lukewarm throughout 2002, the Group is still hopeful of a better second half when the traditional PC peak season kicks in.

BUSINESS REVIEW *(continued)*

The prospering LCD sector once again outshined the IT industry with a 155.0 percent year-on-year growth to 14.3 million units in first half 2002. At this pace, the technologically-viable LCD displays would captivate more than half of the monitor market in revenue terms in the next year or two. Seizing this opportunity, the Group aggressively marketed and shipped over 0.9 million units of LCD monitors during the period, and was on track to attain its 2.0 million units target for full year 2002. LCD revenue in the first half accounted for 43.4 percent of the consolidated turnover and 37.1 percent of the operating profit, while gross margin remained stable at 5.6 percent. To better manage the Group's two product groups and implement initiatives according to the respective market dynamics, TPV Electronics (Fujian) Company Limited was established to take over the LCD operations in May this year. This new wholly-owned subsidiary would be entitled to an income tax holiday starting from its first profitable calendar year under the current tax regime.

The CRT sector experienced rapid consolidation, shrinking demand and price erosion, with worldwide shipments decreased 8.0 percent to 41.1 million units in first half 2002. During the period, the Group sold 4.2 million units of CRT monitors, predominantly the higher-valued 17 and 19 inch units, mitigating the pressure of price erosion on average selling price. With market share increased to 13.0 percent, TPV upheld its No. 2 position in the global CRT market and would forearm itself in the face of further industry consolidation.

PROSPECTS

A slew of adverse economic developments clouded the near term outlook of the IT industry, and weighed heavily on the sluggish PC and monitor demand in June and July. Despite the gloomy big picture, management maintains that the monitor sector has passed its trough of the year as evidenced by the pick-up in orders from August onwards. With increasing market share and greater commitment in the growing LCD sector, the Group will strive to grow its business and enhance its shareholder value.

BEIJING ORIENT TOP VICTORY ELECTRONICS COMPANY LIMITED ("BJOTV")

BJOTV, the Group's associated company in Beijing, sold approximately 1.3 million units of monitors (2001: 1.2 million units) and recorded a turnover of US\$121.8 million (2001: US\$127.8 million) during the period under review. The continuous efforts in improving production efficiencies and refining cost structure helped raise its net profit by 79.2 percent to US\$4.3 million (2001: US\$2.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's primary sources of liquidity are cash flows from operations and banking facilities of US\$619.0 million (31st December 2001: US\$466.2 million). As at 30th June 2002, the Group had cash and bank balances of US\$108.7 million (31st December 2001: US\$86.0 million), bank debt of US\$99.3 million (31st December 2001: US\$26.5 million), and working capital of US\$197.0 million (31st December 2001: US\$88.2 million). Approximately 78.5 percent of these bank debt was denominated in United States dollar while the balance was mainly in Renminbi. Maturity profile of bank debt is as follows:

	30th June 2002 US\$'000	
Repayment:		
Within one year	49,321	49.7%
In the second year	12,500	12.6%
In the third year	37,500	37.7%
	<u>99,321</u>	<u>100.0%</u>

Since all bank borrowings were on floating rate basis, finance costs for the period were substantially reduced from US\$3.3 million to US\$1.3 million as a result of declining interest rates and the Group's strengthening balance sheet.

The Group's gearing ratio, which represents the ratio of total bank debt to total assets, remained healthy at 15.5 percent as at 30th June 2002 (31st December 2001: 4.7 percent).

The Group recorded US\$75.5 million net cash outflow from operating activities, compared to US\$25.6 million net cash inflow during the corresponding period last year. The difference between the two periods is primarily explained by a decrease in accounts payable of approximately US\$66.4 million as a result of shorter credit terms on procurement of LCD panels and an increase in stocks of US\$81.4 million due to inventories slightly above the optimal levels. Tighter inventory and credit policies have since been implemented to shorten the cash cycle and bring cash flow back to positive before year end.

PLEDGE OF ASSETS

As at 30th June 2002, approximately US\$27.4 million (31st December 2001: US\$26.8 million) of fixed assets, US\$46.0 million (31st December 2001: US\$46.0 million) of inventories and US\$39.8 million (31st December 2001: US\$36.7 million) of bank deposits have been pledged as security for bank borrowings.

WORKFORCE

As at 30th June 2002, TPV had a workforce of 6,744. Employee's remuneration is consistent with the industry practice in the respective countries/places where the Group operates. Management will make every effort to retain a highly professional team in its business.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June 2002, 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	No. of shares held
Mr Pen, Stanley (also known as Mr Pan, Fang-Jen)	The Company	Corporate (Note 1)	577,628,318
	Fields Pacific Limited	Corporate (Note 1)	577,628,318
Mr Djuhar, Sutanto	The Company	Corporate (Note 2)	167,762,500
	Brilliant Way Investment Limited ("BW")	Corporate (Note 2)	167,762,500
	Pacific Industries and Development Limited ("PIDL")	Corporate (Note 2)	167,762,500
Mr Djuhar, Johny	The Company	Corporate (Note 2)	167,762,500
	BW	Corporate (Note 2)	167,762,500
	PIDL	Corporate (Note 2)	167,762,500
Dr Hsuan, Jason	The Company	Personal and Family (Note 3)	32,755,823

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

Name of director	Name of company	Type of interest	No. of shares held
Mr Houg Yu-Te	The Company	Personal	3,141,537
Mr Pen Tseng-Kwan	The Company	Corporate <i>(Note 4)</i>	19,404,288
	JCP Venture Limited	Corporate <i>(Note 4)</i>	19,404,288
Mr Yang Hsing-Nang	The Company	Personal	6,121,286

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. PIIDL is a company owned as to 50 percent by KMP Atlantic Limited, as to 25 percent by Mr Djuhar, Sutanto, as to 12.5 percent by Mr Djuhar, Johny and as to the remaining 12.5 percent by Mr Djuhar, Tedy.
- (3) Out of the 32,755,823 shares, 2,001,020 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.

Save as mentioned above, none of the directors (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance) during the period.

At no time during the period was the Company or any of its subsidiaries 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 corporations.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 30th June 2002, the Company had been notified of the following substantial shareholders' interests, being 10 percent 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	No. of ordinary shares
KMP Atlantic Limited	173,262,500
Mr Salim, Anthoni	173,262,500
Mr Halim, Andree	173,262,500

SUBSTANTIAL SHAREHOLDERS *(continued)**Notes:*

- (1) The above shares are held by BW, a wholly-owned subsidiary of PIDL. PIDL is a company owned as to 50 percent by KMP Atlantic Limited, as to 25 percent by Mr Djuhar, Sutanto, as to 12.5 percent by Mr Djuhar, Johnny and as to the remaining 12.5 percent by Mr Djuhar, Tedy. KMP Atlantic Limited is owned as to 48.3 percent by Mr Salim, Anthoni, as to 48.3 percent by Mr Halim, Andree and as to the remaining 3.4 percent by other parties.
- (2) On 2nd July 2002, the above substantial shareholders notified the Company that since 3rd June 2002, they have held 167,762,500 ordinary shares in the Company.

SHARE OPTION SCHEME

On 21st September 1999, shareholders of the Company approved a share option scheme (the "Option Scheme") under which the board of directors of the Company may offer eligible employees (including executive directors) rights to subscribe for shares of the Company (the "Option"). The summary terms and particulars of outstanding Options are set out below pursuant to the requirements as contained in Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) Summary of the Option Scheme*(1) Eligible employees*

Pursuant to the Option Scheme, the board of directors may offer Options to any eligible employee, including:

- (i) an executive director of the Company; or
- (ii) an employee of the Company or any of its subsidiaries, but excluding:
 - any employee of the Company or any of its subsidiaries who is contracted to work for less than 40 hours a week (excluding meal breaks) in that capacity; and
 - any employee of the Company or any of its subsidiaries who has less than 3 years' service to run before his Normal Retirement Age (as defined in the Option Scheme) unless the directors have resolved to waive such requirement in any particular case.

SHARE OPTION SCHEME *(continued)*

- (2) *Maximum number of shares of the Company (the "Shares") available for issue*

The maximum number of Shares available for issue under the Option Scheme is 32,338,126, representing approximately 2.4 percent of the issued share capital of the Company at the end of the period.

- (3) *Maximum entitlement to each eligible employee*

According to the terms of the Option Scheme, no eligible employee shall be granted an Option which, if exercised in full, would result in such eligible employee becoming entitled to subscribe for such number of Shares as when aggregated with the total number of Shares already issued under all the Options previously granted to him which have been exercised, and, issuable under all the Options previously granted to him which are for the time being subsisting and unexercised, exceed 25 percent of the aggregate number of Shares for the time being issued and issuable under the Option Scheme.

In accordance with the new Listing Rules' requirements for share option scheme which came into effect on 1st September 2001, the maximum number of Shares issued and issuable upon exercise of Options granted under the Option Scheme and any other share option schemes of the Company to any eligible employee within any 12-month period is limited to 1 percent of the issued share capital of the Company.

- (4) *Time of exercise of Options*

An Option may be exercised in accordance with the terms of the Option Scheme at any time during a period commencing on the date of grant and end on a day to be determined by the board of directors, which date shall be not later than:

- (i) 5 years from the date upon which an Option is deemed to be granted and accepted by an eligible employee in accordance with the terms of the Option Scheme; or
- (ii) 10 years from the date on which the Option Scheme was adopted by ordinary resolution of the Company in general meeting.

SHARE OPTION SCHEME (continued)(5) *Payment on acceptance of Options*

An offer of the grant of an Option shall remain open for acceptance by an eligible employee for a period of 28 days from the date upon which it is made. The amount payable on acceptance of the offer of the grant of an Option is HK\$1.00.

(6) *Basis of determining the subscription price of Options*

According to the terms of the Option Scheme, the subscription price of a Share in respect of any Option granted shall be determined by the board of directors in its absolute discretion save that it shall not be less than the greater of:

- 80 percent of the average closing prices of the Shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotation sheets for 5 business days on which there were dealing(s) in Shares on the Stock Exchange immediately preceding the date of grant of the Options; and
- the nominal value of a Share.

In accordance with the new Listing Rule's requirements for share option scheme which came into effect on 1st September 2001, the subscription price is determinable by the board of directors, but may not be less than the higher of (i) the closing price of the Shares on the date of offer of the Options; and (ii) the average closing price of the Shares for the 5 business days immediately preceding the date of offer.

(7) *Remaining life of the Option Scheme*

The Option Scheme is valid until 20th September 2009.

(b) Particulars of outstanding Options

<u>Date of grant</u>	<i>Note</i>	<u>Exercise price</u> <i>per share</i> <i>US\$</i>	<u>granted</u>	<u>No. of options</u>		<u>Balance outstanding as at 30th June 2002</u>
				<u>lapsed</u>	<u>exercised</u>	
26th Feb 2001	1	0.09	64,140,000	2,050,000	11,356,000	50,734,000
2nd May 2002	2	0.42	37,610,000	–	–	37,610,000

SHARE OPTION SCHEME *(continued)**Notes:*

1. These Options are exercisable at US\$0.09 (HK\$0.67) per share in three tranches: the maximum percentage of Options exercisable after the first, second and third anniversary from 26th February 2001 are 20 percent, 50 percent and 100 percent respectively.
2. These Options are exercisable at US\$0.42 (HK\$3.30) per share in two tranches: the maximum percentage of Options exercisable within the periods commencing from 8th June 2004 to 1st May 2007 and from 8th June 2005 to 1st May 2007 are 50 percent and 100 percent respectively.
3. No Options were granted to directors of the Company.

The directors consider it inappropriate to value the Options as a number of factors that are crucial to the valuation cannot be determined accurately. Accordingly, such information is not disclosed in this report.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the six months ended 30th June 2002. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules 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 meetings of the Company in accordance with the provisions of the Bye-laws of the Company.

The Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of these unaudited interim accounts.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

As at 30th June 2002, the Group had trade receivables totalling approximately US\$42,438,000 due from associated companies and guarantees amounting to US\$25,036,000 provided to certain banks for credit facilities given to an associated company (previously a jointly controlled entity). The aggregate amount of approximately US\$67,474,000 exceeded 25 percent of the Group's net assets as at 31st December 2001. A pro forma combined balance sheet and the Group's attributable interest in these associated companies as at 30th June 2002 are presented below:

	Pro forma combined balance sheet	Group's attributable interest
	<i>US\$'000</i>	<i>US\$'000</i>
Fixed assets	18,691	8,888
Goodwill	3,102	745
Land occupancy rights	2,000	960
Other long-term assets	313	109
Current assets	212,242	76,605
Current liabilities	(189,860)	(65,622)
Other long-term liabilities	(1,425)	(684)
	<hr/>	<hr/>
Net assets	<u>45,063</u>	<u>21,001</u>

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Monday, 23rd September 2002 to Wednesday, 25th September 2002, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Friday, 20th September 2002 or the Company's share transfer office in Singapore, Lim Associates (Pte) Limited at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315, not later than 5:00 p.m. on Friday, 20th September 2002.

On behalf of the Board
Dr Hsuan, Jason
Chairman

Hong Kong, 4th September 2002