



Chairman's Statement

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Fiscal 2002 was a challenging one for many of us in the information technology industry. The year had begun with the shocks of September 11 still fresh in our minds and it ended with a cauldron of economic woes aggravated by geopolitical tensions in the Middle East. The inherent volatile nature of the industry collided with a difficult business environment had left many of our customers, suppliers and peers unsettled and nonplussed. Despite the difficulties, TPV managed to buck the trend and ended the year with a strengthened balance sheet.

Results

For the fourth consecutive year since our dual listing in Hong Kong and Singapore, TPV has achieved record turnover and profit. Spurred by the growth in TFT-LCD monitor sales and original design manufacturing ("ODM") contracts, consolidated turnover for the year rose 20.9 percent to reach US\$1.5 billion. Profit attributable to shareholders grew proportionately to US\$51.1 million, a commendable feat in this tough time.

Prospects

While I realize the need for fresh impetus to sustain growth, I am concerned with the macroeconomic factors that may impact desktop monitor demand in the near term. As such, I have opted to approach this year's business prudently with greater emphasis placed in four distinct areas: enhancing earnings by escalating market position in the TFT-LCD arena; diversifying product range to sustain the forward momentum in growth; fortifying the lead in China where continuing strong growth is envisaged; and, setting us apart from our peers not only in cost and quality standards, but also through the provision of excellent value-added services in global logistics and after-sales support.

It is a consensus that TFT-LCD monitor will displace CRT monitor to become the mainstream display product in

less than two years' time. According to the latest MIC* research, worldwide demand for TFT-LCD monitors is projected to increase by more than 50 percent to 48.0 million units in 2003 after gaining 104 percent to reach 31.4 million units last year. On the other hand, the CRT monitor market is projected to decline by more than 10 percent to around 75.0 million units this year as the shift to TFT-LCD monitors is accelerating in today's price environment. That said, we shall continue to nurture our CRT business until it is no longer economically viable to do so.

From a geographical perspective, penetration rate of TFT-LCD monitors is higher in developed economies. Demand for CRT monitors, however, remains brisk in developing countries where our marketing strengths lie. Last year, our CRT monitor shipment of 9.1 million units represented 81 percent of total unit sales and 58.5 percent of revenue. This year, we target to ship as many CRT monitors as last year despite a shrinkage in demand.

With CRT business generating stable income and cash flows, we are well-prepared to compete in the growing yet challenging TFT-LCD monitor sector. Last year, we sold approximately 2.0 million units of TFT-LCD monitors. If we include the 0.2 million units shipped from our Beijing

*MIC: The Market Intelligence Centre of the Institute for Information Industry of Taiwan



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associated company, our aggregate shipment would command roughly 7 percent of the global market share and position us as the fourth largest TFT-LCD monitor manufacturer in the world. This year, we aim to increase our global market share to between 8 and 9 percent, which would translate to a target shipment of approximately 4.0 million units.

Although we have made substantial progress in the development of our TFT-LCD portfolio, we are in a transition to widening our product range in the face of technological sub-sectors convergence. As an accomplished player in a competitive industry, we must be vigilant to market trends and product evolution. In Year 2000, we foresaw the taking off of LCD TV and plasma display and began to devote resources and recruit talents for the research and development of these products. Our first generation of LCD TVs was launched in the third quarter of 2002 and our next generation of TV displays that come with better features and size selections are to be rolled out from the third quarter of this year. In addition, a small quantity of 42-inch plasma displays will be unveiled to the market at around the same time. Today, the global television shipment amounted to 150.0 million units a year. Many industry experts forecast that in the next decade, at least half of the television sets sold worldwide will be either LCD or plasma-based as compared to less than 2 percent currently. This will no doubt open up a brand new horizon for us to penetrate into the huge and lucrative consumer electronics market.

Another important task for us this year is to solidify our stronghold in China, which is less impacted by the current global economic downturn. At the 16th People's Congress held last year, the Chinese government announced its directive to speed up the modernization of the whole nation through information technology. On the back of this favourable government policy, both PC and PC peripheral sectors are forecasted to grow by about 20 percent in 2003 (Source: CCID* annual industry review). To better serve this vast market, we have brought in our renowned retail brand Envision from the US to meet the needs of high-end professionals and specialized industries; we have introduced a new brand Topview to compete in the highly price-sensitive DIY (Do-It-Yourself) market; and, we have reinvented the AOC brand image to captivate consumers in the mid-tier market. A branding initiative that includes the setting up of new AOC image shops across the nation in conjunction with aggressive advertising campaigns on the Internet, billboards and other electronic media is implemented to promote brand awareness and loyalty.

Over the years, TPV's emphases on technology, scale, cost and quality have established itself as a world-class monitor maker. We already have the building blocks in place –

abundant manufacturing capacities, advance technologies and quality products. It is our intent to build on this strong foundation one of the most successful companies in its industry. In sum, despite the current economic and geopolitical uncertainties, I am confident that TPV has the resilience, perseverance and flexibility to cross new frontiers in a dynamic world. As Walt Disney once said, "If you can dream it, you can do it". At TPV, we believe we can.

Appreciation

Finally, I would like to thank our Board of Directors and employees for their dedications and hard work, and our shareholders, business associates and customers for their continuous support and guidance.



Dr HSUAN, Jason

Chairman and Chief Executive Officer

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* CCID — China Center for Information Industry Development