



Chairman's Statement

“It was the best of times,
it was the worst of times.”

The same could be said about 2003 for TPV. The eruption of the Iraqi war in the beginning of the year cast a shadow of uncertainty over the global economy's route to recovery. Relief arising from the much-anticipated end to the war was quickly dispersed by the mass hysteria brought about by the SARS outbreak, particularly in Asia. As the epidemic seethed, the implementation of mass quarantine orders in affected cities threatened to put an end to almost all economic activities, as visits to clients, trade exhibitions and mall sales ground to a halt. In such circumstances, sales of the Group's branded products in China, one of SARS worst-hit areas, were temporarily set back in the first half of the year.

While 2003 began on a shaky note, the Group's fortunes improved significantly in the second half of the year. The swift control of the SARS epidemic in China helped the country regain its phenomenal growth momentum and benefited the Group's branded business there. Meanwhile, the rising popularity of SOHO (Small Office Home Office) in Asia and around the world, thanks in part to the home quarantine experience during the SARS outbreak, helped shore up the sales of PC systems and peripherals. And most importantly, the proliferation of flat-panel displays at an unparalleled rate in 2003, coupled with a gradual pickup of the world economy, helped the Group pave the way to another year of record growth.

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RESULTS

In 2003, TPV posted record turnover and profit for the fifth consecutive year since the dual listing in Hong Kong and Singapore and minted its newly-acquired stature as a two billion dollar sales company. Prodded by a sizeable surge in TFT-LCD monitor demand, Group consolidated turnover in 2003 rose 41.8 percent from the previous year to US\$2.1 billion. Profit attributable to shareholders for the year was US\$69.6 million, up 35.6 percent from the preceding year's US\$51.3 million. In view of the satisfactory results, directors will recommend the payment of a final dividend of US1.12 cents per share, payable in cash. Together with the interim dividend of US0.31 cent, dividends for the year would total US1.43 cents per share.

REVIEWS AND PROSPECTS

At TPV, we appreciate the importance of circumspection, vigilance and resilience in advancing our progress. Our methodology is characterized by prudent adherence to our existing strengths, keen awareness of macroeconomic factors and market trends, as well as an astute agility to adapt to exceptional circumstances. Specifically, we aim to reinforce our position in the flourishing TFT-LCD space by multiplying production capacity and broadening product spectrum; boost our market share in developing countries through introducing an extensive range of "value for money" products; and forestall the disruption caused by panel shortage through tactical alliances with panel suppliers.

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TFT-LCD monitor is undeniably the star performer of the desktop monitor sector. As prices fall and affordability increases, consumer acceptance of the product escalates and major PC brands bundle more of their systems with it. By the end of 2003, nearly 50 percent of PC systems sold in the marketplace were bundled with TFT-LCD monitors, compared to only 20 percent a year ago. According to IDC* research, worldwide shipment of TFT-LCD monitor in 2003 leapt 62 percent to 51 million units. IDC further forecasted that the strong upward momentum would continue at a compound annual growth rate of nearly 25.0 percent to push unit shipment to 118.5 million in 2007. That would increase TFT-LCD monitor's market share to 79.5 percent versus 43.7 percent today.

TPV has benefited tremendously from the TFT-LCD boom. Our traditional forte in CRT monitor has helped us cross-sell TFT-LCD products to our ODM customers. By the close of 2003, we counted most of the top PC brands among our customers and for the first time, saw TFT-LCD monitor sales surpass that of CRT monitor and contribute more than 50 percent of the Group's consolidated turnover. Riding on such positive developments,

*IDC: International Data Corporation



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we have adopted a two-dimensional approach to further our TFT-LCD business. On one hand, we strive to move up the market by broadening our product spectrum to appeal to the increasingly-savvy IT consumers. In the pipeline are enhanced models equipped with newfangled features such as dual inputs, speakers and video inputs, rechargeable batteries and enhanced brightness. On another dimension, we continue to expand our production capacity to cope with the rising demand for TFT-LCD monitor. Currently, we have six TFT-LCD monitor production lines with an annual capacity of 8.4 million units in the Fuqing plant. While the existing capacity is adequate to meet the projected shipment for this year, we plan to add three more TFT-LCD production lines to cater to the foreseeable growth beyond 2004. US\$30 million has been set aside for this year's capital expenditure.

The rise of TFT-LCD monitor foreshadows the beginning of the end of the CRT era. According to IDC research, TFT-LCD monitor will overtake CRT monitor to become the mainstream product in 2004. CRT monitor shipment, although being projected to decline at a compound rate of 15 to 20 percent annually, would still be a sizeable market of over 30 million units by 2007. In view of TPV's strong presence in developing markets such as China, India, Eastern Europe and South America, I believe our annual CRT monitor volume could be sustained at over 10 million units in the near term. This belief is clearly supported by our exceptional performance in 2003, in which we saw our CRT monitor shipment growing from 12.0 to 13.3 million units (including 3.0 million units (2002: 2.9 million units) from BJOTV) while global demand dropped roughly 20 percent to 70 million units. TPV ended 2003 with an improved global monitor market share of 19 percent, four percent higher than a year ago, and maintained our position as the world's second largest CRT monitor maker.

A recent survey of technology companies at the International Consumer Electronics Show in Las Vegas revealed that the biggest market potential in the coming years lay in flat screen TVs. It is widely known that big IT names are eyeing the opportunity and some have already made small attempts to sell these products since last year. TPV had first identified the potential of LCD TV in 2002 and commenced small-scaled production of it in 2003. By the middle of 2004, we will have a full range of LCD TVs (including 17-inch, 23-inch, 27-inch, 30-inch and 32-inch) to market to our ODM clientele as well as prospective customers in the consumer electronics channel. Although the prevailing high panel price has prevented LCD TV from becoming a household item, it is anticipated that the product will enjoy rapid growth from 2005 onwards when prices are expected to fall along with panel costs. Before that happens, we would bolster our technological expertise and production capacity to reap rewards in the medium term.

In 2004, securing enough TFT-LCD panels to cope with our projected volume of 8 million units will pose a major challenge for TPV. Contrary to industry projection of abundant supply brought forth by new 5G fabs, TFT-LCD panels were in severe shortage through the better part of 2003, which capped the growth of the TFT-LCD monitor sector. However, the long-established relationships with many of our key component suppliers had enabled TPV to overachieve our target shipment of 4 million units by a large margin in 2003. In view of the persistent supply constraint, we have expanded the list of panel suppliers, adding four new 15-inch and two new 17-inch panel suppliers, bringing the respective numbers of suppliers to nine and five. In addition, after the equity link-up with BOE Technology Group Company Limited, TPV is now in a better position to secure panel from our affiliate, BOE-Hydis. Going forward, I believe that panel shortage will gradually ease over time as yield rates of new 5G fabs improve and stabilize.

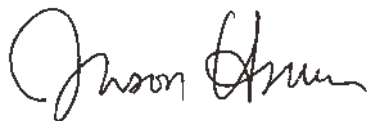
A P P R E C I A T I O N

Of all the achievements we could point to over the years, chief among them is TPV's ability to anticipate and adapt to market changes. Today, we are doing so once again. Moving ahead, we will continue to expand on our two-pronged approach of ODM and branded business, with the latter also serving as a buffer for the former.

In December 2003, Mr Stanley Pen, TPV's co-founder, stepped down from his position as a non-executive director of the Group. On behalf of the Board, I express my sincere gratitude to Mr Pen for his past contributions and guidance. I would also like to welcome Mr Wang Dongsheng, Mr Chen Yanshun and Mr Wang Yanjun to the Board.

I would also take this opportunity to extend my deepest appreciation to our shareholders, business associates and employees for their efforts and support. I look forward to another good year and to sharing our success with you.

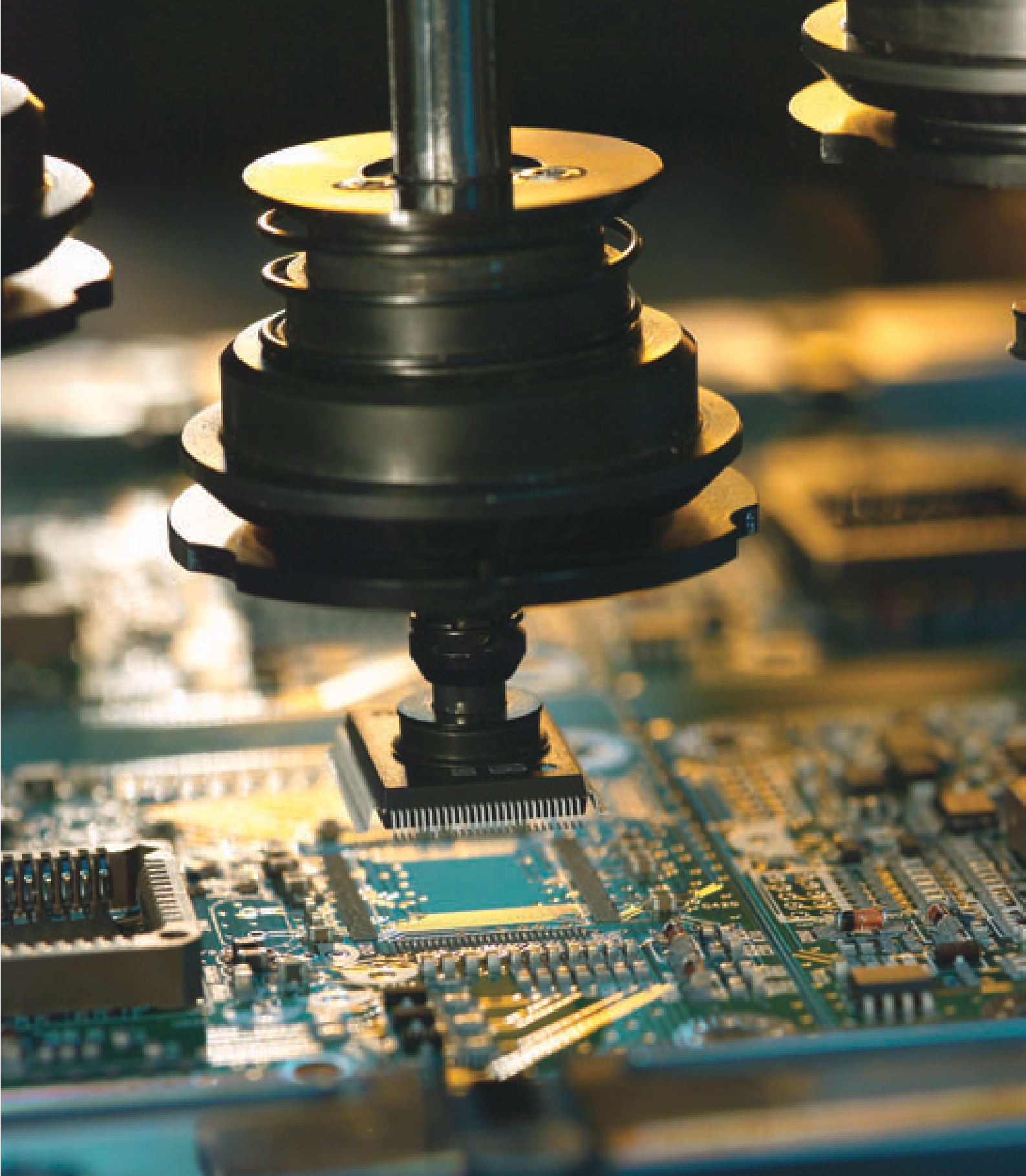
Lastly, I welcome the inclusion of TPV as a component stock of the Singapore Exchange benchmark Straits Times Index from March 2004. The accolade is an acknowledgement of the Group's strong fundamentals and a reflection of the market acceptance and popularity of our stock among the investment community.



Dr Hsuan, Jason

Chairman and Chief Executive Officer

Hong Kong, 6th April 2004



Moving forward, the Group will continue its two-pronged approach in ODM and branded business, with the former serving as the spearhead of growth. Over the years, TPV has successfully positioned itself as a total solution provider of display products. It distinguishes itself from its peers not only in cost and quality standards, but also through value-added services such as component management, channel management and after-sales support.