Industry Overview

The world economy registered good growth in 2005. Despite the fears of higher energy prices and interest rates, it continued to expand at a rather healthy rate of 4.3 percent.

In this environment, global TFT-LCD monitor shipments rose 54.8 percent to 104.5 million units, riding on a stronger replacement cycle which was spurred by both lower prices and reduced volatility. TFT-LCD panel prices steadily moved higher through the year until December, when the supply outstripped demand.

Global LCD TV shipments witnessed a very strong growth of 136.6 percent to reach 19.7 million units in 2005. Including the 7.3 million units of plasma TVs sold around the world, total flat TV market had expanded 129.1 percent to 27 million units. In order to meet the growing demand, a number of panel makers had shifted capacities from monitor panels to TV panels. This helped arrest the decline in prices for monitor panels from February 2005.

Looking ahead, we expect the shift in consumer preference to larger (19-inch and over) monitors to gather momentum. However, a decline in growth rate appears inevitable, considering the high penetration rate of TFT-LCD monitor and the phenomenal pace of growth witnessed in the last two years. TFT-LCD monitor shipments are expected to grow 19.9 percent in 2006 to reach 125.3 million units.

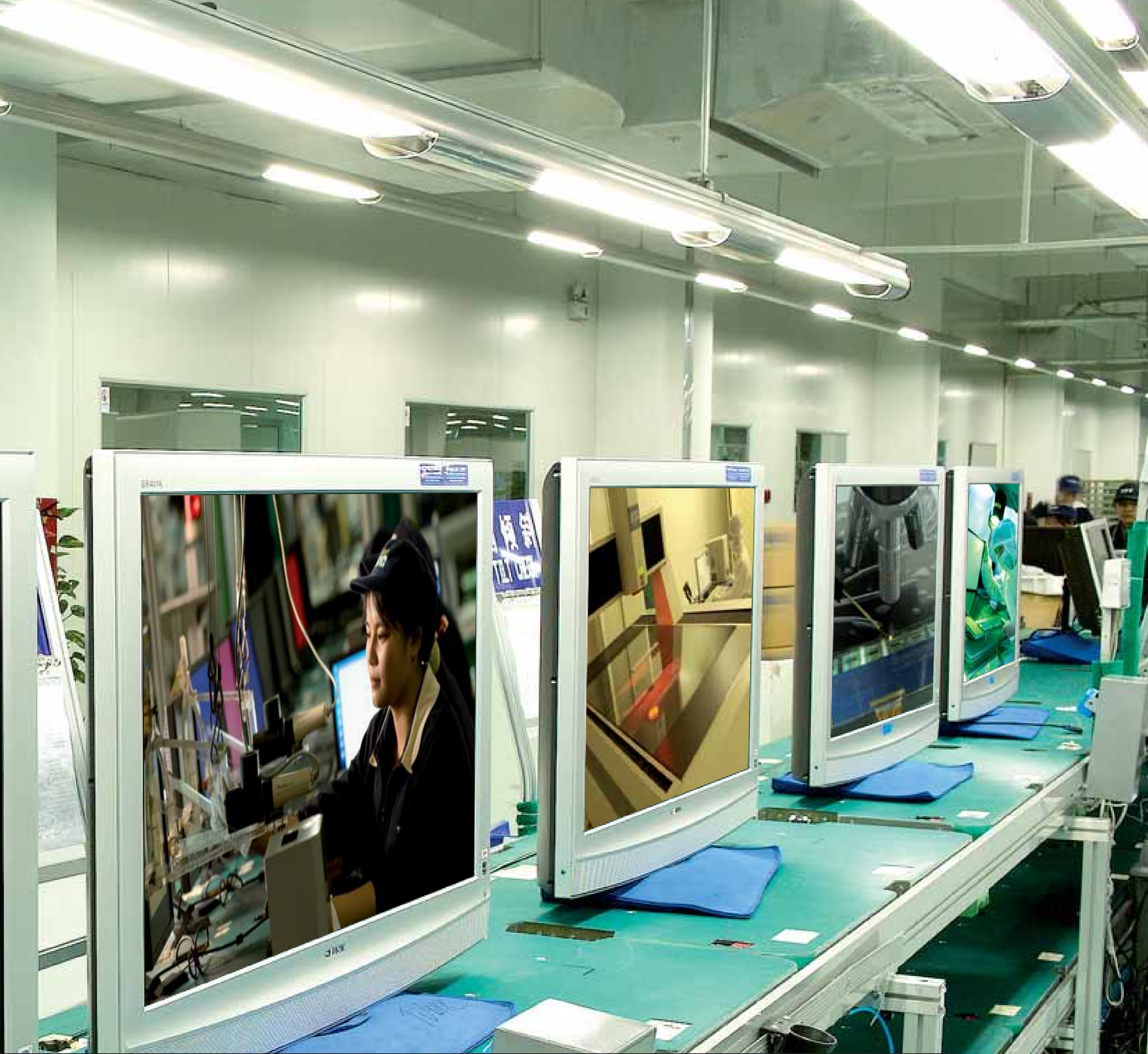
The faster than expected growth in demand for LCD TVs in 2005 has encouraged panel manufacturers to expand their production capacities sharply in 2006 when LCD TV shipments are expected to double. Unlike 2005, in which the 20 to 27-inch TV segment led the growth with a total of 10.5 million units, the 30 to 37-inch segment is likely to account for the largest share at over 15.5 million units in 2006.

Sales and Marketing

After negotiating the volatile 2004 successfully, TPV's sales and marketing team continued to notch up impressive sales growth in the more stable operating environment of 2005. At 17.7 million units, TPV shipped 83.4 percent more TFT-LCD monitors than in 2004, consolidating its position as the world's top TFT-LCD monitor producer. TFT-LCD monitors contributed 73.3 percent to the Group's consolidated turnover. Shipments of CRT units fell 6.3 percent to 11.2 million units, in line with the shrinking end-market demand. CRT monitors contributed 20.2 percent to the Group's consolidated turnover, compared to 28.0 percent in 2004. In 2005, the Group also made remarkable inroads into the LCD TV space, with sales volume vaulting more than ten-fold to 644,000 units. The branded segment of TPV contributed 7.7 percent of the consolidated turnover.

North America remained the largest market for TPV in 2005, accounted for 30.7 percent of the Group's turnover. The acquisition of TPV Beijing made China our third largest market, at 22.0 percent of our consolidated revenue. After a sluggish performance in the first quarter, the European markets picked up steam in the second quarter and remained stable through the third and fourth quarters, contributing 27.8 percent to the Group's consolidated turnover.

As a seasoned player in the business, we are confident that we can excel in both good times and bad.



Transparent Infrastructure

At TPV, we pride ourselves as being a total solution provider of display products. Transparent not only in terms of cost and quality standards but also with the infrastructure to provide value-added services such as component management, channel management and after-sales support. And it is through our transparent infrastructure platform, that viewing the world in different dimensions is made possible.

Looking ahead, we expect the demand for TFT-LCD monitors to gather strength after a normal seasonal adjustment in the first quarter of 2006. Product prices are projected to stabilize after a 15 to 20 percent panel price correction in the first half of 2006.

TPV targets to ship 26 to 30 million units of TFT-LCD monitors, 12 to 13 million units of CRT monitors and over 2 million units of flat TVs in 2006.

Our sales and marketing team faces three major challenges in 2006:

- To enhance the position of the Group as a total solution provider offering quality products, strong logistics network, advanced technology and all-round after-sales service.

- To mitigate inventory risk in times of declining component prices, especially for large flat TV products, which are more susceptible to downward price pressure.

- To increase the market presence in the fast growing flat TV segment by leveraging on the expanded R&D capabilities and marketing strength in emerging markets. We believe that the volume secured from Philips will give us the economies of scale and cost structure to compete effectively with any player in the field.

Acquisition of Philips Contributed Business

On 5th September 2005, TPV completed the transaction to purchase certain monitor and flat TV businesses from Philips through the issue of 263.2 million new shares plus a five-year convertible bond of US$210.5 million. The acquired assets included certain development and manufacturing platforms in China and Taiwan. This acquisition propelled TPV to the top position among monitor manufacturers in terms of unit shipment.

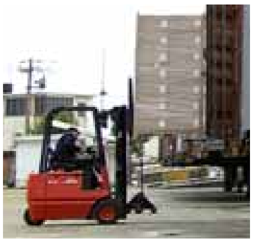
The immediate benefit of this partnership with Philips was a stronger presence for TPV products in all the major global markets through Philips' extensive distribution network. On the other hand, the Group faced the daunting challenge of managing a smooth integration of two vastly different organizations in terms of corporate culture and management practices. To eliminate any risk to a harmonious transition, the core management team from the acquired business was retained. A number of service level agreements were also entered into for critical functions such as IT to ensure seamless execution of customers' orders during the transitional period.

TPV expects to realize the following long-term benefits from the Philips acquisition:

- Enhanced economies of scale in the growth area of flat TVs by combining the volumes for Philips' branded product requirement with that of TPV's expanding ODM client base.

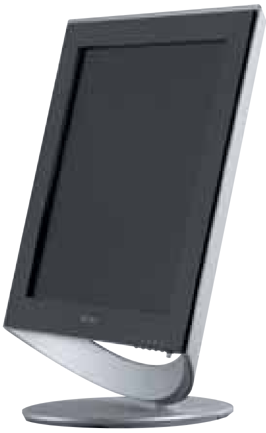
- Philips' high-end display products complement TPV's AOC and Envision branded products, both meant for the mainstream segment. The acquisition allows TPV to offer a more complete range of products to cater to the full spectrum of demand.

- Locking in Philips as a major long-term 'anchor' ODM customer will strengthen TPV's core ODM business model.


Mr Houng Yu-Te, SVP & CFO

Our three unassailable advantages: economies of scale in manufacturing and supply chain management, strong R&D capabilities and a wide geographical reach.



Consolidation of TPV Technology (Beijing) Co., Ltd. ("TPV Beijing", formerly known as Beijing Orient Top Victory Electronics Co., Ltd.)

TPV's shareholding in TPV Beijing increased from 41.7 percent in 2004 to 100 percent in 2005, when the remaining 58.3 percent holding of BOE Technology Group Co., Ltd. and other TPV Beijing shareholders was acquired by TPV for a consideration of 88.0 million new shares in TPV. The transaction, approved at a special general meeting held in August 2005, would facilitate the optimization of the Group's resources and capacities.

Production

Thanks to the two acquisitions described above, the Group has increased its production capacity by more than 90.0 percent. To avoid the risk of a shortfall in production capacity, the Group is always attentive to long-term production planning and resources management.

The Group's ability to control the cost of production has been one of its key elements of success. Since the monitor industry is a volume-driven business with relatively low margins, the back-end integration of critical components becomes imperative and a way to enhance value addition to our assembly business. It would also enhance the Group's bargaining position with suppliers and help in formulating better procurement strategies. A new SAP ERP system was installed during the year, helping the Group to monitor its channel inventory all the way to the overseas hubs. The Group's 100,000 sq.m new plant at Fujian is up and running, part of which is being used to house our new LCM joint venture, CPT TPV Optical (Fujian) Co., Ltd., with Chunghwa Picture Tubes Ltd.

We also lead from the front when it comes to making the world a better and cleaner place to live in. The European Union has introduced two environmental directives recently. Under the Waste Electrical & Electronic Equipment Directive ("WEEE"), companies selling electronics across Europe have to arrange and pay for their products to be recycled from August 2005. Similar laws already exist elsewhere, as in some US states as well as in Japan, Korea and Taiwan. The other directive, on Restriction of Hazardous Substances ("RoHS"), bans the use of six commonly used toxic substances - lead, cadmium, mercury, chromium VI, polybrominated biphenyls and polybrominated diphenyl ethers from July 1, 2006. TPV has been 100 percent RoHS-compliant since January 2005, long before the new directive was put in place. With a view to eliminate the use of hazardous substances, we have installed lead-free soldering machines, and also started using testers to make sure that hazardous substances are identified at first check. For parts and components, we have set stringent norms for our vendors to comply with, including an independent agency's test data certification. For meeting the WEEE Directive, TPV is in the process of registering as a producer in each EU country and is preparing to comply with all new requirements. The incremental cost for compliance will be passed on to our customers.

As at 31st December, 2005, the Group's annual production capacity was 55.4 million units – 19.96 million units, 30.4 million units and 5.1 million units for CRT monitors, TFT-LCD monitors and flat TVs, respectively.

Capital expenditure of the Group in 2005 was US$72.3 million.

Mr Hsieh Chi Tsung,
SVP of Sales and Procurement

A steady decline in prices will only make the products more affordable and that, in turn, can only increase demand.

Research and Development ("R&D")

The Philips Contributed Business taken over by TPV includes a development centre in Taiwan, with close to 200 highly skilled and experienced development engineers. Its flat TV R&D capability complements the Group's current research and development strengths in monitors and augments the Group's overall technological know-hows in TV products. As a result, we were able to impress the market with 509 new product launches in 2005, compared to 409 new models introduced in 2004.

Our new product launches were aimed at bringing better viewing experience to the consumers at reasonable cost. As products become more affordable, more and more of our products were in the over 17-inch categories. They include 100 LCD TVs and 24 plasma TVs. We introduced the 19-inch super slim monitor and expanded the wide format multi-functional monitor range all the way up to 24-inch. We also launched a number of 32-inch LCD TVs with digital tuner and 42 and 50-inch high definition plasma TVs with digital tuner.

In 2006, we plan to extend the multi-function display in 27-inch, 30-inch and 37-inch variations. In LCD TVs, our R&D efforts will be focused on development of the 37-inch and 40-inch LCD TVs. We shall also launch digital CRT monitor range and add more features to the existing models.

Liquidity, Financial Resources and Capital Structure

The Group continued to finance its operations from internal cash flows and banking facilities. As at 31st December 2005, the Group's cash and bank balances (including pledged bank deposits) stood at US$418.7 million (2004: US$327.9 million). Credit facilities obtained from banks amounted to US$3.0 billion (2004: US$1.9 billion) of which US$1.2 billion (2004: US$0.5 billion) were utilized at year end.

All bank debts were borrowed on floating-rate basis and denominated in US dollar. The maturity profile of bank debts was as follows:

	2005 **US$'000**	2004 US$'000
Within one year	**285,380**	86,950
In the second year	**96,000**	67,500
In the third to fifth year	**-**	51,000

Benefits of the adoption of VMIS (Vendors-Managed Inventory System) in 2004 continued through 2005. The system has optimized inventory and kept its turnover days at healthy levels. Inventory turnover days stood at 32.6 at the end of December 2005 (31st December 2004: 38.0). Accounts receivable days were 53.2 (31st December 2004: 51.0), while accounts payable days declined to 63.4 (31st December 2004: 70.5).

The Group's gearing ratio, representing the ratio of total debts to total assets, increased to 18.9 percent from 13.8 percent in 2004, mainly attributable to the convertible bond issued for the acquisition of Philips Contributed Business. Current ratio stood at a comfortable level of 131.9 percent.

In anticipation of a booming flat TV business, TPV's additional funding requirements (working capital and capital expenditure) for 2006 are projected to be in the region of US$300 million. TPV raised approximately US$120 million through a top-up placement in February 2006 to fulfill approximately 40 percent of this requirement and intended to fund the balance by way of bank debts.

Workforce

As at 31st December 2005, the Group's headcount stood at approximately 20,000. The remuneration terms of these employees were consistent with the industry practice in the respective locations where the Group operates. The Group has adopted an employee share option scheme to motivate employees to achieve the Group's performance objectives.

Functional Distribution of Workforce

Year	Production	R&D	Sales	QA	Procurement	Others	Total
2003	5,888	493	166	850	466	496	8,359
2004	7,356	640	257	1,317	751	1,033	11,354
2005	**14,204**	**1,537**	**647**	**1,715**	**528**	**1,978**	**20,609**

Foreign Exchange Risk

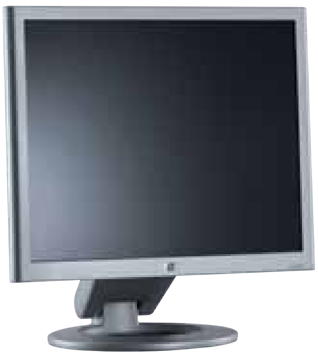
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi. Foreign exchange risk arises from net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through the use of forward contracts.

As at 31st December 2005, the Group had the following outstanding commitments in respect of forward contracts:

	2005 US$'000	2004 US$'000
Sell Euros for US Dollars	**10,732**	3,796
Sell Japanese Yen for US Dollars	**6,000**	-
Sell US Dollars for Renminbi	**1,035,000**	440,000
Sell Renminbi for US Dollars	**1,045,000**	425,000

Mr Lu Being-Chang,
SVP of R&D and CE Sales



Driven by more stable prices, a stronger end market demand and a growing market share in the monitor sector, the Group's consolidated turnover soared 35.2 percent to US$5.1 billion.