TPV

TPV TECHNOLOGY LIMITED

冠 捷 科 技 有 限 公 司

(Incorporated in Bermuda with limited liability)

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E V O L U T I O N

ANNUAL REPORT 2007

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E V O L V E

contents

TPV Technology Limited is a leading display solutions provider. The Group designs and produces a full range of PC monitors and LCD TVs for distribution globally. TPV's products add value to customers through cost leadership, timely delivery and superior quality.

TPV brands include AOC and Envision.

Today, TPV is the world's largest monitor manufacturer in terms of unit shipment. It is listed on both Hong Kong and Singapore stock exchanges since October 1999.

Corporate Information

Directors

Executive Directors
Dr Hsuan, Jason
(Chairman and Chief Executive Officer)
Mr Houng Yu-Te
Mr Lu, Being-Chang

Non-executive Directors
Mr Maarten Jan de Vries
Mr Chang Yueh, David
Mr Lu Ming

Independent Non-executive Directors
Mr Chan Boon-Teong
Dr Ku Chia-Tai
Mr Wong Chi Keung

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Office
Room 2108, 21st Floor
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Principal Bankers
Agricultural Bank of China
Bank of America, N.A.
Bank of China
Bank SinoPac Company Limited
China Construction Bank
Industrial and Commercial Bank of China
ING Bank N.V.
The Hongkong and Shanghai Banking Corporation Limited

Legal Advisors
Appleby
D.S. Cheung & Co.
Skadden, Arps, Slate, Meagher & Flom

Company Secretary
Ms Lee Wa Ying, Phyllis

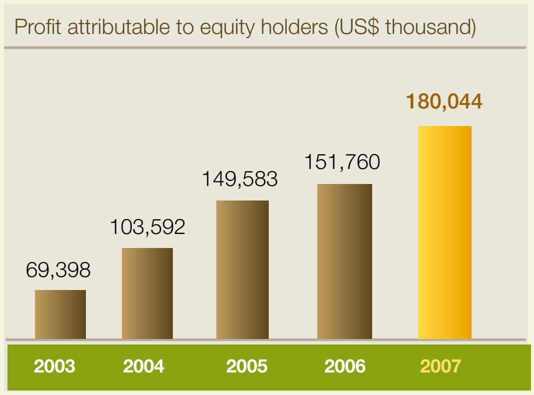
Independent Auditor
PricewaterhouseCoopers
Certified Public Accountants

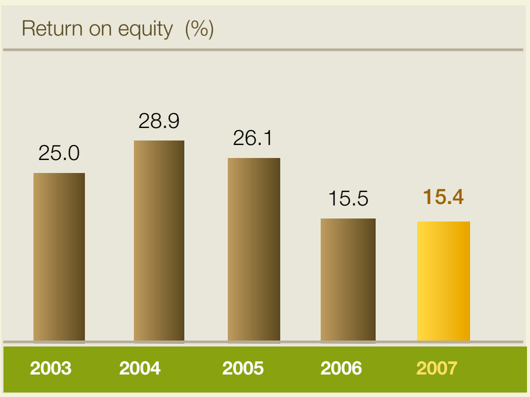
Principal Share Registrar
Appleby Management (Bermuda) Ltd.
Argyle House
41A Cedar Avenue
Hamilton HM 12
Bermuda

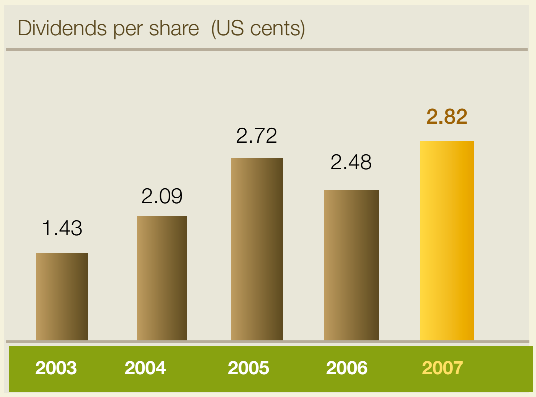
Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
Hopewell Centre, 46th Floor
183 Queen's Road East
Wanchai, Hong Kong

Singapore Share Transfer Office
Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Financial Highlights







Operating Results (US$'000)	2007	2006	2005	2004 As restated	2003 As restated
Consolidated turnover	**8,445,151**	7,176,294	5,053,953	3,738,182	2,135,381
Profit attributable to equity holders	**180,044**	151,760	149,583	103,592	69,398
Basic earnings per share (US$)	**0.0921**	0.0798	0.0990	0.0748	0.0517
Dividends per share (US$)	**0.0282**	0.0248	0.0272	0.0209	0.0143

Financial Position (US$'000)	2007	2006	2005	2004 As restated	2003 As restated
Total assets	**3,788,521**	3,060,856	3,054,224	1,484,825	1,127,619
Cash and cash equivalents	**135,061**	96,025	414,885	321,456	199,537
Total borrowings	**788,145**	416,147	578,159	205,450	134,421
Equity	**1,240,318**	1,099,065	855,856	407,478	308,594

Key Financial Ratios	2007	2006	2005	2004 As restated	2003 As restated
Inventory turnover (days)	**48.0**	45.7	32.6	38.0	46.3
Trade receivables turnover (days)	**57.9**	62.3	53.2	51.0	57.1
Trade payables turnover (days)	**62.6**	72.4	63.4	70.5	92.3
Return on equity (%)	**15.4**	15.5	26.1	28.9	25.0
Return on assets (%)	**5.3**	5.0	7.3	7.9	7.3
Current ratio (%)	**136.3**	141.6	131.9	144.0	133.0
Gearing ratio (%)	**20.8**	13.6	18.9	13.8	11.9
Interest coverage (times)	**4.0**	3.9	8.2	12.2	18.5
Dividend payout ratio (%)	**30.7**	31.8	33.7	28.3	28.2

Chairman's Statement

"We firmly believe perfection is achieved not by chance but through perseverance, dedication and hard work. This simple yet steadfast commitment has motivated us to build on our strengths consistently and has taken us through adversities in the ever-changing economic and industrial scenarios."

Dr Jason Hsuan
Chairman and Chief Executive Officer

TECHNOLOGY

heralds a dramatic vision

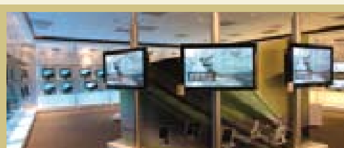
At TPV, we firmly believe perfection is achieved not by chance but through perseverance, dedication and hard work. With this embedded belief, we devote our resources and efforts in their entirety to only one product area in which we are determined to rank among the top global suppliers: Display Solutions. This simple yet steadfast commitment has motivated us to build on our strengths consistently and has taken us through adversities in the ever-changing economic and industrial scenarios.

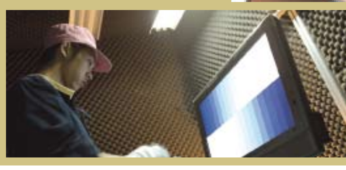
The global economic climate had turned from favourable to bleak and volatile in 2007. The sub-prime crisis, which originated in the US, has had a ripple effect on the global economy. The resulting credit tightness and fluid business outlook have damaged corporate and consumer confidence and led to a visible slowdown in spendings. Thus far, the Asian markets, powered by strong domestic demand, have continued to enjoy rapid growth, particularly in China and India. Nevertheless, the rising inflationary and cost pressure in China, on the back of a strong Renminbi, has become a development that warrants continuous monitoring.

TPV achieved record turnover and profit in 2007. Consolidated turnover increased 17.8 percent to US$8.5 billion and profit attributable to equity holders rose 18.6 percent to US$180 million. Basic earnings per share was US9.21 cents, 15.4 percent higher than 2006's US7.98 cents.

In view of the strong results, the Board has recommended the payment of a final dividend of US2.02 cents per share. Taking into account the interim dividend of US0.8 cent, total dividends for the year would amount to US2.82 cent per share, against US2.48 cents for the previous year.

Amidst an uncertain economic backdrop, TPV remains confident of achieving growth in turnover and volume in both PC monitor and LCD TV businesses. For 2008, the Group set shipment targets of 50 million units and 7 million units for PC monitor and LCD TV respectively. The Group will also start to ship digital photo frames in the second half of the year with the expectation that this nascent revenue stream would quickly fill the void left by the shrinking CRT monitor business.





A competitive cost structure and strong design capability will enable the Group to pull-in orders from branded TV players and quickly reach economies of scale and normalized profitability

The Group has placed a lot of hope in the outsourcing trend of TV manufacturing which it believes will become more apparent in the next year or two. This will open up doors for system integrators who possess the technical know-how and competitive cost structure to voluminous orders from branded players who are pressured to outsource for cost reasons. TPV, equipped with a comprehensive product platform and scaled operation, will no doubt be among the beneficiaries of this trend.

Scant panel supply has posed challenges to system integrators since the second half of 2007. The situation is not expected to change until new panel fabs commence production in the second half of 2009. Meanwhile, TPV had struck deals with different panel suppliers to assure supply adequacy for 2008. For instance, a strategic alliance was formed with a world-class panel maker, Chi Mei Optoelectronics, at the end of 2007 to enable the two allies to supplement each other in supply and take-up during industry ups and downs. The alliance is expected to reap further cost benefits from packing materials, logistics and co-design, once TPV's Ningbo plant is scaled-up in the second half of 2008.

To globalize the Group's manufacturing footprint and to take advantage of the EU market taxation policy, the Group began the construction of a new plant on a green field site in Poland last year which will streamline its logistics to better serve customers in Europe. The first phase of the project with an annual capacity of 4 million units was completed in the first quarter of 2008 and the plant is scheduled to ramp up production at the end of the second quarter. The Group plans to bring annual capacity in Poland to 10 million units before 2010 commensurate with the projected order flow in the region.

Fierce competition continued to suppress profit margin and keep a lid on the profitability of PC monitor in 2007. A number of cost reduction initiatives and backward integration projects have been put in place in the course of the last two years. The Group is confident that its efforts have laid solid foundation for it to bear fruit eventually.

On the LCD TV side, the Group has strategically focused its resources in the commoditized segment (currently comprises sizes up to 26") where it

TPV shipped 46.6 million units of display products in 2007

believes most of the future outsourcing orders will be concentrated. A competitive cost structure and strong design capability in this area will enable the Group to pull-in orders from branded players and quickly reach economies of scale and normalized profitability.

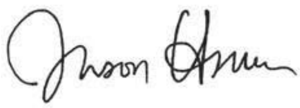
The expansion of business has led to an increase in working capital requirement, particularly during times of panel shortage. The year 2007 saw a lengthening of cash cycle from 35.8 days to 43.3 days. The Group has stepped-up to tighten its inventory management and negotiated for better credit terms from suppliers.

In spite of the challenging external macro development, TPV's sound fundamentals and marketing strength, especially in the developing countries, will help sustain its growth. I believe the difficult operating environment would speed up the industry consolidation and offer us window of opportunities to grasp market share. It is the Group's ambition to capture 30 percent and 15 percent market share in the PC monitor and LCD TV sectors respectively by 2012, solidifying our leading position.

Appreciation

Mr Wang Dongsheng, Mr Chen Yanshun and Mr Wang Yanjun resigned as our non-executive directors during 2007. I would like to take this opportunity to thank them for their valuable contribution to the Group in the last five years. I would also like to welcome Mr Lu Ming and Mr Lu Being Chang to the Board.

Lastly, I would like to express my gratitude to our Board of Directors for their guidance and employees for their dedication and hard work, and our shareholders, business associates and customers for their unwavering support.



Dr Hsuan, Jason
Chairman and Chief Executive Officer
Hong Kong, 9th April 2008

It is the Group's ambition to capture 30% and 15% market share in the PC monitor and LCD TV sectors respectively by 2012, solidifying our leading position

Management Discussion and Analysis

During 2007, PC monitor manufacturing sector had experienced further consolidation. The top five players continued to gain market shares at the expense of marginal players and accounted for 68.4 percent of total output against 66.9 percent in 2006.

Industry Review

2007 continued to be a volatile year for the TFT-LCD industry despite a welcoming respite in the latter half of the year which was proceeded by an extended period of turbulence starting from the summer of 2006. In retrospect, the softer than expected demand for monitors and TVs in the peak selling season of 2006 had pushed panel prices down to cash cost levels in the first quarter of 2007. Anticipating higher panel prices ahead, PC companies scrambled to replenishing stock or building inventory in the second quarter of 2007 ahead of the peak season. Panel prices, as a result, moved up and stayed firm until the end of 2007. Due to the investment vacuum in panel capacities in 2005 and 2006, panel supply is expected to tighten up in 2008 until new fabs begin mass production in 2009. The scarcity in supply will benefit big system integrators like TPV who has long established supply arrangements with all key panel producers.

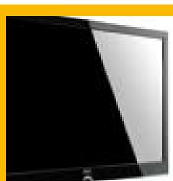
In 2007, TFT-LCD monitor registered a healthy demand growth of 25.0 percent to 164.3 million units globally. The launch of Window Vista operating platform and the introduction of various multi-media applications in the year helped spur the need for larger screen size and wide-format displays for better visual enjoyment. As such, monitor screen size has reached its widest range ever in history, from the traditional 15” to 19” desktop monitors to monitors up to 42” for public display purpose. This development favors multi-fab panel suppliers who are capable of cutting a wider range of panels more cost-effectively.

19” wide-format and 22” wide-format are now the mainstream products due to their affordable price points and the demand for dual-purpose monitor is another trend that has gained traction since last year.

During 2007, PC monitor manufacturing sector had experienced further consolidation. The top five players continued to gain market shares at the expense of marginal players and accounted for 68.4 percent of total output against 66.9 percent in 2006. The increasing competition among branded players on the down stream has also speeded up the pace of outsourcing.

In the LCD TV space, global demand jumped 64.6 percent to reach 76 million units in 2007 and is projected to expand to 98 million units in 2008. The combination of lower panel prices and the cut-back on channel mark-ups has been the impetus to the growth. More and more households today are beginning to own more than one set of TV. This trend appears irreversible and will be a key driver for the increase in TV demand for many years to come.

There has also been a worldwide implementation of digital broadcasting which accelerated the demand for high definition TV (HDTV). The Beijing Olympics is providing another catalyst to the greater demand.



Business Review

TPV shipped a total of 46.6 million units of display products in 2007, registering a growth of 10.6 percent year-on-year. PC monitor shipment rose 8.1 percent to 43.1 million units and contributed 78.9 percent to the total turnover. On a separate basis, TFT-LCD monitor shipment grew 30.7 percent to 37.4 million units. CRT monitor shipment, aligned with the shrinking market, declined by 49.4 percent to 5.7 million units. Consistent with the demand growth, LCD TV shipment soared 51.5 percent to 3.6 million units, contributing 18.1 percent to total revenue.

In terms of geographical distribution, the PRC, for the first time, emerged as the largest contributor to and accounted for 27.5 percent of the Group's consolidated turnover, attributing to the country's stellar economic growth as well as the Group's deeply-rooted own brand presence. North America and Europe contributed 26.9 percent and 23.2 percent respectively to the consolidated turnover. The Group also achieved satisfactory growth in emerging markets, especially in South America where shipment was almost doubled to 3 million units.

In 2007, gross profit margin for PC monitor was 4.9 percent. The fierce competition and price pressure kept TFT-LCD monitor margin in check while CRT monitor margin stayed firm in a fast disappearing space. The blended average selling price (ASP) for TFT-LCD and CRT monitors was at US$155 (2006: US$147). With volume growing leaps and bounds and production flow more efficient, LCD TV gross profit margin improved from 3.3 percent last year to 4.1 percent and the ASP remained stable at US$427. As a whole, the Group's gross profit margin declined to 4.6 percent from 5.2 percent a year ago. Nevertheless, operational leverage and stringent cost control had helped maintain the Group's net profit margin at 2.1 percent.

Research and Development ("R&D")

During the year under reviewed, TPV launched 621 new models for PC monitor and 253 new models for LCD TV. These new models introduced new designs and components, enhanced product quality and resulted in lower production cost. TPV also built a more comprehensive range of products: PC monitor ranging from 15" up to 42" including wide-format and multi-functional monitors, and LCD TV ranging from 15" up to 52". Further, the Group will launch a new series of digital photo frames ranging from 5" to 12" in the second half of 2008.

Production

The Group has strategically repositioned its global production footprint to optimize resources and enhance cost efficiency. The Group completed the infrastructure of its Poland plant in early 2008. The first phase of the plant, which has a planned annul capacity of 4 million units, will come on stream at the end of second quarter. The plant will ultimately have an annual capacity of 10 million units upon completion before 2010 to satisfy the requirement of the region.

TPV formally entered into a strategic alliance with Chi Mei Optoelectronics ("CMO") in December 2007. Pursuant to the Share Purchase Agreement, CMO will subscribe to 150,500,000 new shares in TPV at HK$5.39 per share, representing approximately 7.66 percent of the Group's issued share capital, pending the approval of the Investment Commission, the Ministry of Economic Affairs of Taiwan. This tie-up with one of the world's best LCD panel producers will help enhance the Group's competitiveness in today's highly competitive landscape by means of greater certainty in panel supply. It will help TPV stay focused in its core competencies of mass production. Besides panel supply, the Group will explore further cooperation with CMO in Ningbo where the two have production facilities adjacent to each other.

TPV continued to invest in backward integration which has become a necessity for system integrators nowadays. In 2007, the two LCM joint ventures of the Group, CPT TPV Optical (Fujian) Co., Ltd. and HannStar Display (Wuhan) Corp., assembled in aggregate 9.7 million units of TFT-LCD module, satisfying 25.9 percent of the Group's panel requirement and contributing US$2.8 million to the Group's before tax profit. The Group's in-house backlight assembly facility processed 3.3 million units of backlight and fulfilled 8 percent of the Group's need. This year, the Group targets to increase its TFT-LCD module and backlight outputs to about 15 million units and 5 million units respectively.

A fire broke out in the Group's production facility in Manaus, Brazil, in early January 2008 and caused a temporary stoppage of production. The plant has resumed full production in March.

Equipped with a comprehensive product platform and scaled operational, we will no doubt be among the beneficiaries of the TV outsourcing trend

The Group had an annual production capacity of 86.4 million units – 74.1 million units for PC monitor and 12.3 million units for LCD TV

The introduction of the new labour laws in China has triggered concerns over the rising production cost. For TPV, direct labour cost accounts for less than one percent of the consolidated turnover. The added cost, therefore, will impact the Group's profitability insignificantly.

As at 31st December 2007, the Group had an annual production capacity of 86.4 million units – 74.1 million units for PC monitor and 12.3 million units for LCD TV. Capital expenditure in 2007, including the funds invested in the green field project in Poland, increased from US$88.0 million to US$112.5 million. The Group planned to spend a further US$165 million to expand its production base this year.

Liquidity, Financial Resources and Capital Structure

As at 31st December 2007, the Group's cash and cash equivalents was at US$135.1 million (2006: US$96.0 million). Credit facilities secured from banks amounted to US$ 4.0 billion (2006: US$4.2 billion) of which US$ 1.5 billion (2006: US$1.1 billion) had been utilized. All bank debts were borrowed on a floating-rate basis, and denominated in US dollars. The maturity profiles of bank debts are as follows:

Duration	2007 US$'000	2006 US$'000
Within one year	540,189	216,290
In the second year	45,000	-

Inventory turnover days increased 2.3 days to 48.0 days in 2007 (2006: 45.7 days). Trade receivables turnover days were 57.9 days (2006: 62.3 days) and trade payables turnover days were 62.6 days (31st December 2006: 72.2 days).

The Group's gearing ratio, representing the ratio of total debts to total assets, rose to 20.8 percent as compared to 13.6 percent in 2006. Current ratio stood at 136.4 percent.

Workforce

As at 31st December 2007, the Group employed 27,320 (2006: 25,582) persons worldwide. The remuneration terms of these employees were consistent with industry practice in the respective locations where the Group operates.

In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option scheme. The Group has also periodically provided training to its employees to encourage continuous learning and self-development, thus ensuring the competitiveness of the Group in the ever changing market environment.

Foreign Exchange Risk

As at 31st December 2007, the total notional principal amounts of the outstanding foreign forward contracts are as follows:

	2007 US$'000	2006 US$'000
Sell Euros for US dollars	22,880	7,862
Sell Japanese Yen for US dollars	2,000	1,000
Sell US dollars for Renminbi	2,510,000	1,737,000
Sell Renminbi for US dollars	2,415,000	1,752,000

17.8% turnover and 18.6% profit growth

Report of the Directors

The directors submit their annual report together with the audited financial statements for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 40.

The directors had declared an interim dividend of US0.80 cent per ordinary share, totalling approximately US$15,701,000 which was paid on 22nd October 2007.

The directors recommend the payment of a final dividend of US2.02 cents per ordinary share, totalling approximately US$39,677,000 in respect of the year ended 31st December 2007.

The proposed final dividend is payable in cash to shareholders in US dollars save that those shareholders whose names appearing on the register of members of the Company in Hong Kong will receive the equivalent amount in HK dollars and those shareholders whose names appearing 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 5th May 2008.

The dividend cheques will be distributed to shareholders on or before Tuesday, 27th May 2008.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of the investment properties are set out in note 17 to the financial statements.

Report of the Directors

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$31,084.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 26 to the financial statements.

SHARE OPTION

At the annual general meeting held on 15th May 2003, shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") in place of the Company's share option scheme adopted on 21st September 1999 (the "Previous Scheme") such that no further options should thereafter be granted under the Previous Scheme but the provisions of the Previous Scheme should remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the date of its termination.

The purpose of the New Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to directors and employees of the Group.

The principal terms of the New Scheme are summarized below:

(1) Participants of the New Scheme

Any employee or director including executive and non-executive directors of the Company, any of its holding companies and any of their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds any equity interest.

(2) Maximum number of shares

There is no more option available for issue under the New Scheme as at the date of this report.

(3) Maximum entitlement of each participant

The board shall not grant any option (the "Relevant Option") to any participant, which, if exercised, would enable such participant to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised, cancelled or outstanding) in the 12-month period up to and including the offer date of the Relevant Options, exceed 1 percent of the shares in issue on such date.

The board may grant options to any participant in excess of the individual limit of 1 percent in any 12-month period with the approval of the shareholders in general meeting (with such participant and his associates abstaining from voting). In such situation, the Company will send a circular to the shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and previously granted to such participant).

SHARE OPTION (Continued)

(4) Payment on acceptance of options

A participant shall pay the Company HK$1.00 for the grant of an option on acceptance of an option within 28 days after the offer date.

(5) Time of exercise of options

Subject to the provisions of the New Scheme, an option may be exercised at any time during such period notified by the board as not exceeding 10 years from the offer date. The exercise of options may also be subject to any conditions imposed by the board at the time of offer.

(6) Basis of determining the subscription price

The subscription price will be determined by the board and it shall not be less than the highest of, (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Exchange") on the date of offer of the options; and (ii) the average closing price of the shares of the Company as stated in the Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

(7) Remaining life of the New Scheme

The New Scheme is valid until 14th May 2013.

During the year ended 31st December 2007, 22,484,026 share options have been granted and no share options have been cancelled.

SHARE OPTION (Continued)

Particulars of outstanding options under the Previous Scheme and the New Scheme at the beginning and at the end of the year ended 31st December 2007 and options granted, exercised and lapsed during the year were as follows:

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 01/01/2007	Granted	Exercised	Lapsed	As at 31/12/2007
Directors								
Dr Hsuan, Jason	20/05/2004	4.735 (note 4)	08/06/2007 – 19/05/2009	1,500,000	0	0	0	1,500,000
Mr Houng Yu-Te	03/11/2003	4.140 (note 3)	08/06/2004 – 02/11/2008	82,000	0	0	0	82,000
			08/06/2005 – 02/11/2008	840,000	0	0	0	840,000
			08/06/2006 – 02/11/2008	1,400,000	0	0	0	1,400,000
	20/05/2004	4.735 (note 4)	08/06/2005 – 19/05/2009	600,000	0	0	0	600,000
			08/06/2006 – 19/05/2009	900,000	0	0	0	900,000
			08/06/2007 – 19/05/2009	1,500,000	0	0	0	1,500,000
Mr Lu, Being-Chang	03/11/2003	4.140 (note 3)	08/06/2005 – 02/11/2008	100,000	0	100,000	0	0
			08/06/2006 – 02/11/2008	1,400,000	0	490,000	0	910,000
	20/05/2004	4.735 (note 4)	08/06/2005 – 19/05/2009	600,000	0	0	0	600,000
			08/06/2006 – 19/05/2009	900,000	0	0	0	900,000
			08/06/2007 – 19/05/2009	1,500,000	0	0	0	1,500,000
Mr Chan Boon-Teong	12/12/2007	5.750 (note 5)	12/12/2008 – 11/12/2012	0	80,000	0	0	80,000
			12/12/2009 – 11/12/2012	0	120,000	0	0	120,000
			12/12/2010 – 11/12/2012	0	200,000	0	0	200,000

Report of the Directors

SHARE OPTION (Continued)

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 01/01/2007	Granted	Exercised	Lapsed	As at 31/12/2007
Directors								
Dr Ku Chia-Tai	12/12/2007	5.750 (note 5)	12/12/2008 – 11/12/2012	0	60,000	0	0	60,000
			12/12/2009 – 11/12/2012	0	90,000	0	0	90,000
			12/12/2010 – 11/12/2012	0	150,000	0	0	150,000
Mr Wong Chi Keung	12/12/2007	5.750 (note 5)	12/12/2008 – 11/12/2012	0	60,000	0	0	60,000
			12/12/2009 – 11/12/2012	0	90,000	0	0	90,000
			12/12/2010 – 11/12/2012	0	150,000	0	0	150,000
Mr Wang Dongsheng (Resigned on 30th November 2007)	20/05/2004	4.735 (note 4)	08/06/2007 – 19/05/2009	1,000,000	0	0	1,000,000	0
Mr Chen Yanshun (Resigned on 12th June 2007)	20/05/2004	4.735 (note 4)	08/06/2007 – 19/05/2009	500,000	0	500,000	0	0
Mr Wang Yanjun (Resigned on 11th April 2007)	20/05/2004	4.735 (note 4)	08/06/2007 – 19/05/2009	500,000	0	0	500,000	0

SHARE OPTION (Continued)

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 01/01/2007	Granted	Exercised	Lapsed	As at 31/12/2007
Employees *	02/05/2002	3.300 (note 1)	08/06/2004 – 01/05/2007	1,377,000	0	924,000	453,000	0
			08/06/2005 – 01/05/2007	2,042,000	0	1,514,000	528,000	0
	01/08/2002	2.325 (note 2)	08/06/2004 – 31/07/2007	1,285,000	0	1,026,000	259,000	0
			08/06/2005 – 31/07/2007	5,705,000	0	5,460,000	245,000	0
	03/11/2003	4.140 (note 3)	08/06/2004 – 02/11/2008	1,383,000	0	0	0	1,383,000
			08/06/2005 – 02/11/2008	2,280,000	0	150,000	0	2,130,000
			08/06/2006 – 02/11/2008	9,220,000	0	2,290,000	0	6,930,000
	20/05/2004	4.735 (note 4)	08/06/2005 – 19/05/2009	6,328,800	0	1,579,000	267,000	4,482,800
			08/06/2006 – 19/05/2009	17,728,429	0	2,649,000	834,000	14,245,429
			08/06/2007 – 19/05/2009	47,954,000	0	5,861,000	3,590,000	38,503,000
	12/12/2007	5.750 (note 5)	12/12/2008 – 11/12/2012	0	4,296,805	0	0	4,296,805
			12/12/2009 – 11/12/2012	0	6,445,208	0	0	6,445,208
			12/12/2010 – 11/12/2012	0	10,742,013	0	0	10,742,013
				108,625,229	22,484,026	22,543,000	7,676,000	100,890,255

* The number of options outstanding at the beginning of the year excluded 4,500,000 share options granted to Mr Lu, Being-Chang, who was appointed as executive director on 12th June 2007. Detailed of his interests in the share options are disclosed separately in the above table.

Report of the Directors

SHARE OPTION (Continued)

Notes:

(1) These options are exercisable at HK$3.300 (US$0.42) per share in two trenches: the maximum percentage of share 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. The exercisable period of these options expired on 1st May 2007.

(2) These options are exercisable at HK$2.325 (US$0.30) per share in two trenches: the maximum percentage of share options exercisable within the periods commencing from 8th June 2004 to 31st July 2007 and from 8th June 2005 to 31st July 2007 are 50 percent and 100 percent respectively. The exercisable period of these options expired on 31st July 2007.

(3) These options are exercisable at HK$4.140 (US$0.53) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 8th June 2004 to 2nd November 2008, from 8th June 2005 to 2nd November 2008 and from 8th June 2006 to 2nd November 2008 are 20 percent, 50 percent and 100 percent respectively.

(4) These options are exercisable at HK$4.735 (US$0.61) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 8th June 2005 to 19th May 2009, from 8th June 2006 to 19th May 2009 and from 8th June 2007 to 19th May 2009 are 20 percent, 50 percent and 100 percent respectively.

(5) These options are exercisable at HK$5.750 (US$0.73) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12th December 2008 to 11th December 2012, from 12th December 2009 to 11th December 2012 and from 12th December 2010 to 11th December 2012 are 20 percent, 50 percent and 100 percent respectively. The closing price per share immediately before 12th December 2007 (the date of grant) was HK$5.54.

Details of share options exercised during the year:

Exercise Price per share	Number of options exercised	Weighted average closing price per share immediately before the dates of exercise of options
HK$3.300	2,438,000	HK$5.56
HK$2.325	6,486,000	HK$4.99
HK$4.140	3,030,000	HK$4.89
HK$4.735	10,589,000	HK$5.59

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2007, including contributed surplus, amounted to approximately US$107,232,000.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 119.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year.

Report of the Directors

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of Bermuda in relation to the issue of new shares by the Company.

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Dr Hsuan, Jason	
Mr Houng Yu-Te	
Mr Lu, Being-Chang	(appointed on 12th June 2007)

Non-executive Directors

Mr Maarten Jan de Vries	
Mr Chang Yueh, David	
Mr Lu Ming	(appointed on 28th December 2007)
Mr Wang Dongsheng	(resigned on 30th November 2007)
Mr Chen Yanshun	(resigned on 12th June 2007)
Mr Wang Yanjun	(resigned on 11th April 2007)

Independent Non-executive Directors

Mr Chan Boon-Teong
Dr Ku Chia-Tai
Mr Wong Chi Keung

Notes:

(1) In accordance with Bye-law 99 of the Company's Bye-laws, Dr Hsuan, Jason, Mr Chan Boon-Teong and Dr Ku Chia-Tai will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

(2) In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr Lu, Being-Chang and Mr Lu Ming will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

(3) None of the non-executive directors was appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

(4) The Company has received confirmation of independence from independent non-executive directors, namely Mr Chan Boon-Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung, and considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without the payment of compensation, other than the statutory compensation.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr Hsuan, Jason

Aged 64, the Chairman and Chief Executive Officer of the Group, joined the Group in November 1990. Dr Hsuan is responsible for the Group's overall corporate policies and business development. Before joining the Group, he had over 19 years of managerial experience in well-known multi-national enterprises which include General Electric and PepsiCo. Dr Husan graduated from Department of Electrical Engineering of National Cheng Kung University, Taiwan in 1968, and holds a doctorate degree of philosophy in systems engineering from the Polytechnic Institute of Brooklyn and a master's degree in systems engineering from Boston University.

Mr Houng Yu-Te

Aged 61, Senior Vice President and Chief Financial Officer, is responsible for the Group's general administration and financial operations. Mr Houng holds a bachelor's degree in accounting from Soochow University, Taiwan. Before joining the Group in December 1996, he gained audit and finance experience from an international accounting firm in Taiwan and had worked for a number of companies for over 29 years in charge of the accounting and financial operations.

Mr Lu, Being-Chang

Aged 61, Senior Vice President, is in charge of new product planning, research and development, and ODM sales of consumer electronic products. Mr Lu graduated from National Cheng Kung University, Taiwan with a bachelor's degree in science and a master's degree in electrical engineering. Prior to joining the Group in November 1999, he worked for the Sampo Group in Taiwan for over 25 years and was in charge of manufacturing, international sales and research and development.

Non-executive Directors

Mr Maarten Jan de Vries

Aged 46, holds a master's degree in business economics from the University of Groningen and obtained postgraduate education for controllership from the Vrije University of Amsterdam. He is a registered member of the Dutch Controllers Institute. Mr de Vries is currently a senior Vice President and Chief Information Officer of Royal Philips Electronics (a subsidiary of Koninklijke Philips Electronics N.V. which is a substantial shareholder of the Company). He is also a member of the Group Management Committee of Philips Group. Mr de Vries has over 22 years of experience in finance, accounting and management.

Mr Chang Yueh, David

Aged 59, holds a bachelor's degree in electronic engineering from the National Chiao-Tung University in Taiwan. Mr Chang is currently the CEO of Philips (China) Investment Co., Ltd. (a subsidiary of Koninklijke Philips Electronics N.V. which is a substantial shareholder of the Company), CEO of Philips Electronics China Group and CEO of Royal Philips Electronics Greater China. Mr Chang has over 29 years of experience in sales management, business management and general management.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-executive Directors (Continued)

Mr Lu Ming

Aged 58, graduated from Chinese Academy of Sciences with a Master's Degree in Computer Science. He also studied with Mr Ding Zhaozhong in Germany. He is also one of the founders of Great Wall Group. He is the Vice President of China Electronics Corp.. He also holds positions as Vice Chairman of China Great Wall Computer Shenzhen Co., Ltd., Director and President of Great Wall Group, Director of Shenzhen Kaifa Technology Co., Ltd., Director and President of Great Wall Technology Co., Ltd.. Mr Lu has over 26 years of experience in technology and information field.

Independent Non-executive Directors

Mr Chan Boon-Teong

Aged 65, graduated from Imperial College of the University of London with a bachelor's degree in electrical engineering. Mr Chan also holds both a master's degree in electrical engineering and operational research from the Polytechnic University of New York City. He has over 37 years of experience in the financial, commercial, industrial and real estate business in the Southeast Asia region. He was a director of the former Kowloon Stock Exchange in 1973. He is currently the Chairman of Coastal Greenland Limited, a listed company in Hong Kong, and also a director of Cathay United Bank Co. Ltd., a subsidiary of a listed company in Taiwan. Mr Chan is a member of the National Chinese People's Political Consultative Conference. He is also a member of the Standing Committee of the All-China Federation of Returned Overseas Chinese. Mr Chan was appointed as an independent non-executive director of the Company in May 1998.

Dr Ku, Chia-Tai

Aged 65, holds a bachelor's degree in electrical engineering from National Cheng Kung University, Taiwan, a master's degree in electrical engineering from Rutgers University of New Jersey and a doctorate degree in electrical engineering from the University of Pittsburgh, Pennsylvania. Dr Ku has over 30 years of managerial experience in both computer and telecommunications industries. He was General Manager of Wang Computer (Taiwan) Limited, President of GTE Taiwan, President of Siemens Telecom Systems Limited and President of Beijing Switching International Co.. Dr Ku was appointed as an independent non-executive director of the Company in May 1998.

Mr Wong Chi Keung

Aged 53, holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr Wong was an executive director, deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited for over 10 years. He is currently the managing director of Greater China Corporate Consultancy & Services Limited. He is also an independent non-executive director and a member of the audit committee of a number of listed companies in Hong Kong. Mr Wong has over 31 years of experience in finance, accounting and management. Mr Wong was appointed as an independent non-executive director of the Company in August 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management

Mr Hsieh Chi Tsung

Aged 56, Senior Vice President, is in charge of the ODM sales and procurement of raw materials. Mr Hsieh holds a bachelor's degree in mechanical engineering from Fong-Ja University, Taiwan and an executive master's degree in business administration from National Taipei University. Prior to joining the Group in 1994, he worked for a number of well-known monitor manufacturers in Taiwan as purchasing supervisor for over 23 years.

Mr Lee Neng Sung

Aged 57, Vice President of research and development department and General Manager of monitor business unit, is in charge of the Group's research and development. Mr Lee graduated from National Chao Tung University, Taiwan with a bachelor's degree in electronic engineering and a master's degree in business administration. Prior to joining the Group in January 2002, he worked for the Sampo Group in Taiwan for over 20 years and was in charge of manufacturing and research and development.

Mr Liao Jen Tsung

Aged 50, Vice President, is in charge of the Group's manufacturing operations. Mr Liao holds a bachelor's degree in Industrial Engineering from Tunghai University, Taiwan. Prior to joining the Group in March 2001, Mr Liao had 25 years of experience in manufacturing operations.

Mr Lu Che Chiang

Aged 49, Vice President of research and development department and General Manager of consumer electronic product unit, is in charge of the Group's research and development. Mr Lu holds a bachelor's degree in communication engineering from National Chiao-Tung University and an executive master's degree in business administration from Shanghai Chiao-Tung University. Prior to joining the Group in September 2006, Mr Lu had 24 years of experience in research and development.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' INTERESTS

As at 31st December 2007, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests and short positions in which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") were as follows:

INTERESTS IN ORDINARY SHARES OF US$0.01 EACH OF THE COMPANY

Name of director	Type of interest	Number of shares held (long position)
Dr Hsuan, Jason	Corporate and Family (note 1)	28,485,823
Mr Houng Yu-Te	Personal	3,619,537
Mr Lu, Being-Chang	Personal	2,444,107

Notes:

(1) The interest of Dr Hsuan, Jason disclosed herein includes the holding of 26,754,803 shares by Bonstar International Limited, a company beneficially and wholly owned by Dr Hsuan, Jason; and the holding of 1,731,020 shares by the spouse of Dr Hsuan, Jason.

(2) The interests of directors in share options of the Company are detailed in the paragraph headed "Share Option".

Save as disclosed above, as at 31st December 2007, none of the directors of the Company had or was deemed to have any interest or short position in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code.

Furthermore, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations. As at 31st December 2007, the Company has no ultimate holding company.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2007, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Interest in ordinary shares of US$0.01 each and the convertible bonds of the Company

Name of shareholder	Number of shares held (long position)	Maximum number of shares that may be converted under the convertible bonds (long position)
Philips Electronics Hong Kong Limited	263,176,463 (note 1)	313,300,433 (note 1)
Koninklijke Philips Electronics N.V.	263,176,463 (note 1)	313,300,433 (note 1)
Philips Electronics China B.V.	263,176,463 (note 1)	313,300,433 (note 1)
China Great Wall Computer Shenzhen Company Limited	200,000,000 (note 2)	Nil
Great Wall Technology Company Limited	200,000,000 (note 2)	Nil
Great Wall Computer Group Company Limited	200,000,000 (note 2)	Nil
China Electronics Corporation	200,000,000 (note 2)	Nil
Chi Mei Optoelectronics Corp.	150,500,000 (note 3)	Nil
Chi Mei Corporation	150,500,000 (note 3)	Nil
Brilliant Way Investment Limited	99,909,000 (note 4)	Nil
Pacific Industries and Development Limited	99,909,000 (note 4)	Nil
Mr Djuhar, Sutanto	99,909,000 (note 4)	Nil
Mr Djuhar, Johny	99,909,000 (note 4)	Nil
Mr Djuhar, Tedy	99,909,000 (note 4)	Nil
KMP Atlantic Limited	99,909,000 (note 4)	Nil
Mr Salim, Anthoni	99,909,000 (note 4)	Nil

Notes:

(1) These shares are held by Philips Electronics Hong Kong Limited ("PEHKL"). PEHKL is owned as to 42 percent by Koninklijke Philips Electronics N.V. ("Philips") and as to 58 percent by Philips Electronics China B.V. ("PEC"). PEC is a wholly-owned subsidiary of Philips.

Pursuant to the terms of the said convertible bonds, PEHKL may exercise the conversion rights attaching thereto and the Company may issue a maximum of 313,300,433 shares to PEHKL upon conversion of the convertible bonds by PEHKL.

(2) These shares are held by China Great Wall Computer Shenzhen Company Limited ("CGC"). CGC is owned 47.82 percent by Great Wall Technology Company Limited ("GWT"). GWT is a company owned as to 62.11 percent by Great Wall Computer Group Company Limited ("GWCGC"), which is a wholly-owned subsidiary of China Electronics Corporation.

(3) These shares are held by Chi Mei Optoelectronics Corp. ("CMO"). CMO is owned as to 28.73 percent by Chi Mei Corporation ("CMC").

(4) These shares are held by Brilliant Way Investment Limited, a wholly-owned subsidiary of Pacific Industries and Development Limited ("PIDL"). PIDL is a company owned as to 50 percent by KMP Atlantic Limited ("KMP"), 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. KMP is owned as to 90 percent by Mr Salim, Anthoni and as to the remaining 10 percent by other parties.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	10.5%
– five largest suppliers combined	43.7%

Sales

– the largest customer	20.6%
– five largest customers combined	60.6%

None of the directors, their associates or any shareholder which to the knowledge of the directors owns more than 5 percent of the Company's issued share capital had an interest in the major suppliers or customers noted above, except that Philips, being a substantial shareholder of the Company, has beneficial interest in the largest customer and one of the five largest suppliers disclosed above.

CONNECTED TRANSACTIONS

Details of connected transactions as required to be disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

(i) Transaction with BOE

BOE Technology Group Co., Ltd. ("BOE") has become a substantial shareholder of the Company since 20th November 2003 and ceased to be a substantial shareholder on 24th December 2007. Accordingly, the ongoing transactions between the Group and the BOE Group during the above period constitute continuing connected transactions under the Listing Rules. At the special general meeting of shareholders held on 28th February 2006, the independent shareholders approved the entering into the Purchase Transactions and the respective Annual Caps. The transaction amount in respect of the Purchase Transactions for the year ended 31st December 2007 is as follows:

	Transaction amounts of the continuing connected transactions	Cap Amounts
(i) Purchase of TFT-LCD panels, monitors, parts and components and LCD TVs/PDP TVs by the Group from the BOE Group (the "Purchase Transactions")	US$108,049,000	US$700,000,000

The continuing connected transactions have been reviewed by the board of directors, including the independent non-executive directors, who are of the opinion that the transactions were conducted in accordance with the terms of the agreement governing the continuing connected transactions or on terms no less favourable than those available to or from independent third parties and the aggregate amount of the continuing connected transactions for the financial year ended 31st December 2007 had not exceeded the Cap Amount.

The board of directors of the Company have engaged the auditor to perform certain agreed-upon procedures on the aforesaid continuing connected transaction on a sample basis and the auditor has, based on the work performed, provided a letter to the board of directors of the Company stating that the continuing connected transactions:

(i) have been approved by the board of directors of the Company;

(ii) were in accordance with the Group's pricing policies regarding the transaction as stated above;

(iii) were entered into in accordance with the agreement governing the transaction; and

(iv) did not exceed the Cap Amount as set out above.

CONNECTED TRANSACTIONS (Continued)

(ii) Transaction with the Philips Group

Upon the completion of the acquisition of the Philips Contributed Business (details of which are contained in the aforesaid 2005 Circular) by the Group from Koninklijke Philips Electronics N.V. ("Philips") on 5th September 2005, Philips has become a substantial shareholder of the Company on the even date. Accordingly, the following transactions between the Group and Philips and its subsidiaries (the "Philips Group") constitute continuing connected transactions under Chapter 14A of the Listing Rules:

(a) partially exempt continuing connected transactions which comprise the transactions contemplated under the IT Service Level Agreements and the Assembly Subcontracting Agreement in Suzhou (details of which are contained in the 2005 Circular); and

(b) non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement, the Component Sourcing Agreement and the Manufacturing and Sales Agreement in Brazil (details of which are contained in the 2005 Circular and the Company's Circular dated 6 November 2006).

At the special general meeting of shareholders held on 2nd August 2005, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and their respective annual caps. At the special general meeting of shareholders held on 28th November 2006, the independent shareholders approved the revised annual cap for the transactions contemplated under the Sales Agreement in Brazil. The transaction amounts in respect of each of these continuing connected transactions for the year ended 31st December 2007 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	the sale to the Philips Group by the Group for the supply and delivery of products (as defined in the 2005 Circular) under the Supply Agreement	US$1,741,139,000	US$3,632,000,000
(ii)	the purchase of Components (as defined in the 2005 Circular) by the Group from the Philips Group under the Component Sourcing Agreement	US$881,903,000	US$2,035,112,000
(iii)	the commission paid to the Philips Group in respect of the sale of CRT monitors by the Group to the customers of the Philips Group under the Manufacturing and Sales Agreement	US$64,000	US$900,000

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

(ii) Transaction with the Philips Group (Continued)

These continuing connected transactions have been reviewed by the board of directors, including the independent non-executive directors, who are of the opinion that the transactions were conducted in accordance with the terms of the respective agreements governing the continuing connected transactions or on terms no less favourable than those available to or from independent third parties and the aggregate amount of each class of the continuing connected transactions for the financial year ended 31st December 2007 has not exceeded their respective Annual Caps.

The board of directors of the Company have engaged the auditor to perform certain agreed-upon procedures on the aforesaid continuing connected transactions on a sample basis and the auditor has, based on the work performed, provided a letter to the board of directors of the Company stating that the continuing connected transactions:

(i) have been approved by the board of directors of the Company;

(ii) were in accordance with the Group's pricing policies regarding the transactions as stated in (i), (ii) and (iii) above;

(iii) were entered into in accordance with the respective agreements governing the transactions; and

(iv) did not exceed the Annual Caps as set out above.

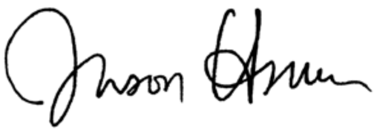
PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board



Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 9th April 2008

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

TPV is committed to ensuring and maintaining high standards of corporate governance.

During the year ended 31st December 2007, the Company has complied with all the code provisions in the "Code on Corporate Governance Practices" (the "CG Code") set out in Appendix 14 to the Listing Rules except for the deviation from code provisions A.2.1 and A.4.1 of the CG Code which are explained below.

The board will continue to review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

THE BOARD

The board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the board to manage the day-to-day business of the Group. In addition, the board has also delegated various responsibilities to the board committees. Further details of these committees are set out in this report.

The board has four scheduled meetings a year at quarterly interval and meets as and when required. Dates of regular board meetings are scheduled in the prior year to provide sufficient notice to give all directors an opportunity to attend. The board held six meetings in 2007. The attendance of individual director at board meetings is set out below:

Name of director	Number of board meetings held during the director's term of office in 2007	Number of board meetings attended
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	6	6
Mr Houng Yu-Te	6	6
Mr Lu, Being-Chang (appointed on 12th June 2007)	4	4
Mr Maarten Jan de Vries	6	6
Mr Chang Yueh, David	6	3
Mr Lu Ming (appointed on 28th December 2007)	0	0
Mr Chan Boon-Teong	6	6
Dr Ku Chia-Tai	6	5
Mr Wong Chi Keung	6	6
Mr Wang Dongsheng (resigned on 30th November 2007)	5	3
Mr Chen Yanshun (resigned on 12th June 2007)	2	0
Mr Wang Yanjun (resigned on 11th April 2007)	1	0

The company secretary keeps the minutes of board meetings for inspection by the directors.

The Company enables the directors, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. The board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

The Company has arranged for appropriate liability insurance to indemnify directors for their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Dr Hsuan, Jason currently holds the offices of Chairman and Chief Executive Officer of the Company. The board believes that vesting the roles of both positions in Dr Hsuan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of management. Such a structure provides many of the benefits of having a separate chairman and chief executive officer. The structure includes:

- having non-executive directors and independent non-executive directors comprising a majority of the board;

- having the audit committee composed exclusively of independent non-executive directors;

- having independent non-executive directors comprising a majority of the remuneration committee; and

- ensuring that independent non-executive directors have free and direct access to both the Company's management, internal audit division, external auditors and independent professional adviser where considered necessary.

The board believes that these measures will ensure that independent non-executive directors continue to effectively monitor the Group's management and to review and provide recommendation on key issues relating to strategy, risk and integrity. The board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the separation of the roles of chairman and chief executive officer, are necessary.

BOARD COMPOSITION

The board comprises three executive directors, being Dr Hsuan, Jason (Chairman), Mr Houng Yu-Te and Mr Lu, Being-Chang (appointed on 12th June 2007), three non-executive directors, being Mr Maarten Jan de Vries, Mr Chang Yueh, David and Mr Lu Ming (appointed on 28th December 2007) and three independent non-executive directors, being Mr Chan Boon-Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.

Brief biographical particulars of all the directors, together with information relating to the relationship among them, are set out in the Report of the Directors. Their mix of professional skills and experience is an important element in the proper functioning of the board in ensuring a high standard of objective debate and overall input to the decision-making process.

Apart from the annual confirmation of independence which are made by independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, the Company also received quarterly confirmation of independence from these directors. The board has assessed the independence of independent non-executive directors and considered that all of them are independent within the definition of the Listing Rules.

Corporate Governance Report

RE-ELECTION OF DIRECTORS

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The Company's non-executive directors are not appointed for a specific term. However, one-third of all the directors of the Company for the time being are subject to retirement by rotation at each annual general meeting pursuant to bye-law 99 of the Bye-laws of the Company. The board considers that sufficient measures have been made to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code.

The board considers the determination of the appointment and removal of directors to be the board's collective decision and accordingly, it does not intend to adopt the recommended best practice of the CG Code to set up a nomination committee in the meantime.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities and ongoing obligations under the Listing Rules, applicable legal requirements and other regulatory requirements and the corporate governance policies of the Company. Throughout their tenure, the directors shall be provided with updates on legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

Every director is aware that he should give sufficient time and attention to the affairs of the Company.

The independent non-executive directors take an active role in board meetings, make sound judgement on issues of strategy, policy, performance, accountability, resources and standard of conduct. They will take lead where potential conflicts of interests arise. They are also core members of other board committees of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by directors of the Company (the "Internal Rules") on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") in the Listing Rules.

Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and in the Internal Rules during the year ended 31st December 2007.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are subject to compliance with the Company's "Code for Securities Transactions by Relevant Employees" (the "RE Code") in respect of their dealings in the securities of the Company. Likewise, the RE Code is prepared on terms no less exacting than the required standard set out in the Model Code.

SUPPLY OF AND ACCESS TO INFORMATION

The Chairman and Chief Executive Officer will periodically present the updated strategies and objectives of the Group at board meetings so as to ensure all directors are aware of the targets the Group achieves.

Management has the obligation to supply the board and its committees with adequate information in a timely manner to enable them to make informed decisions. Where any director requires more information than is supplied by the management, each director has separate and independent access to the company secretary and management to make further enquires, if necessary.

All directors are entitled to have access to board papers, minutes and relevant materials.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a remuneration committee with specific written terms of reference which are in line with the relevant code provisions of the CG Code.

The remuneration committee is responsible for reviewing and evaluating the remuneration packages of directors and senior management and making recommendations to the board from time to time.

The chairman of the remuneration committee is Mr Chan Boon-Teong who is an independent non-executive director also serving as the chairman of the audit committee. The other members of the committee are Dr Ku Chia-Tai and Mr Wong Chi Keung, independent non-executive directors of the Company, and Dr Hsuan, Jason, the Chairman and Chief Executive Officer of the Company. The remuneration committee held three meetings in 2007. The attendance of individual member at remuneration committee meeting is set out below:

Name of director	Number of attendance
Mr Chan Boon-Teong *(chairman of remuneration committee)*	3/3
Dr Ku Chia-Tai	3/3
Mr Wong Chi Keung	3/3
Dr Hsuan, Jason	3/3

At the meetings during the year, the remuneration committee discussed and reviewed the remuneration packages of executive directors, the directors' fee of independent non-executive directors, grant of share options to and the remuneration policy in respect of senior management and other employees as a whole of the Group for 2007.

The Company has adopted a new share option scheme in May 2003 (the "New Scheme") which serves as an incentive to attract, retain, and motivate high caliber staff and directors serving for the Group.

Details of the directors' and senior management's emoluments are set out in note 8 to the financial statements and details of the New Scheme and the directors' interest in share options are set out in the Report of the Directors.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

The remuneration committee has the right to seek any information it considers necessary to fulfill its duties, which includes the right to obtain appropriate external advice at the Company's expense. The remuneration committee is provided with sufficient resources by the Company to discharge its duties.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company.

The board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the directors continue to adopt the going concern approach in preparing the financial statements of the Company.

Starting from June 2000, the Company publishes its financial results on a quarterly basis to enhance transparency about its performance and to give details of the latest development of the Group.

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 38 to 39.

INTERNAL CONTROLS

The board has overall responsibility for the internal control system of the Group and for reviewing its effectiveness. The board is committed to implementing an effective and efficient internal control system to safeguard the interest of shareholders and the Group's assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with applicable laws and regulations. The system of internal controls provides reasonable but not absolute assurance against material errors, losses or frauds. It has been implemented based on an integrated framework of internal control which is consistent with the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework. Under the framework, the management is responsible for the design, implementation, and maintenance of internal controls, while the board reviews the effectiveness of the system of internal controls of the Group on an ongoing basis through the Group Internal Audit Department.

In respect of the year ended 31st December 2007, the board has conducted review of the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management functions. The review has been conducted in compliance with the CG Code.

INTERNAL AUDIT

The Head of the Group Internal Audit reports directly to the Audit Committee and the Chairman and Chief Executive Officer and has direct access to the board through the Chairman of the Audit Committee.

INTERNAL AUDIT (Continued)

During 2007, the Group Internal Audit Department conducted audits and issued internal audit reports to management covering various operational and finance functions of the Group. The internal audit reports and audit findings prepared by the Group Internal Audit Department were also reported to the Audit Committee and the Chairman and Chief Executive Officer on a quarterly basis. Relevant recommendations reported by the Group Internal Audit Department are implemented by the management to further enhance the internal control policies, procedures and practices of the Group.

The Group Internal Audit Department carries out audit in accordance with a risk-based audit plan which is reviewed and approved by the Audit Committee.

AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference which are in line with the relevant code provisions of the CG Code.

All the members of the audit committee are independent non-executive directors who among themselves possess a wealth of management experience in the financial, accounting, commercial, industrial, real-estate and telecommunication sectors. The committee is chaired by Mr Chan Boon-Teong. The other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. There are four meetings held by the committee members in 2007. The attendance of individual member at audit committee meetings is set out below:

Name of director	Number of attendance
Mr Chan Boon-Teong *(chairman of audit committee)*	4/4
Dr Ku Chia-Tai	3/4
Mr Wong Chi Keung	4/4

Work performed by the audit committee during the year included:

– met with external auditor to discuss the scope of their audit;

– reviewed and revised its terms of reference to conform to the CG Code;

– reviewed and recommended the annual financial statements for the year ended 31st December 2006;

– reviewed and recommended the interim financial statements for the six months ended 30th June 2007;

– reviewed the quarterly results;

– reviewed the accounting policies adopted by the Group;

– monitored and analysed the connected transactions entered into by the Group during the year;

– reviewed and approved the internal audit plan for 2008;

AUDIT COMMITTEE (Continued)

- reviewed and approved internal audit reports and the system of internal control and related financial control, and discussed the same with the management;
- reviewed and recommended the appointment of external auditor;
- implemented policies on the engagement of external auditor to provide non-audit services; and
- monitored the possible fraud and illegal risk area, if any.

Minutes of audit committee meetings are kept by company secretary of the Company. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively.

The audit committee meets the external auditor regularly to discuss any areas of concerns during the audits and reviews. The audit committee reviews the quarterly, interim and annual results before submission to the board. The committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's financial results.

The board agrees with the proposal of the audit committee for re-appointing Messrs PricewaterhouseCoopers as the Company's external auditor for the year 2008. The recommendation will be put forward for approval by shareholders at the Company's annual general meeting to be held on 22nd May 2008.

The audit committee is provided with sufficient resources by the Company, including the advice of the external auditors and internal auditors, to discharge its duties.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditor, Messrs PricewaterhouseCoopers, is set out as follows:

Services rendered	Fee paid/payable US$'000
Audit service	802
Non-audit service	
– Tax consulting fee	723
– Others	25
	1,550

Corporate Governance Report

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the board to the management include the preparation of quarterly results, interim and annual reports and announcements for board approval before publishing, execution of business strategies and initiatives adopted by the board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company uses a number of formal communication channels to account to shareholders for the performance of the Company. These include annual reports and interim reports, quarterly results announcements as well as annual general meetings.

The management personnel responsible for investor relations held regular meetings with media, equity research analysts, fund managers and investors. The Company also holds periodic presentations, road shows and conference calls for the international investment community.

VOTING BY POLL

The chairman of general meetings has since May 2005 voluntarily demands poll voting for all resolutions at general meetings. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors.

Details of the poll voting procedures and the rights of shareholders to demand a poll at general meetings are included in the circular to shareholders despatched together with the annual report of the Company. The circular also contains relevant details of resolutions which include the explanatory statement in relation to the general mandate for repurchase of shares and biographies of retiring directors standing for re-election at annual general meetings.

The poll is conducted by the Company's share registrar and the results of it are published in the websites of the Company and the stock exchanges.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 118, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9th April 2008

Consolidated Income Statement

For the year ended 31st December

	Note	2007 US$'000	2006 US$'000
Turnover	5	**8,455,151**	7,176,294
Cost of goods sold		**(8,064,168)**	(6,799,874)
Gross profit		**390,983**	376,420
Other income	5	**66,185**	36,912
Other gains – net	6	**25,898**	7,286
Selling and distribution expenses		**(128,276)**	(101,046)
Administrative expenses		**(50,744)**	(59,933)
Research and development expenses		**(54,170)**	(51,378)
Operating profit	7	**249,876**	208,261
Finance income	9	**2,167**	5,709
Finance costs	9	**(45,085)**	(38,764)
Finance costs – net		**(42,918)**	(33,055)
Share of profits less losses of associated companies		**2,915**	464
Profit before taxation		**209,873**	175,670
Taxation	10	**(26,477)**	(21,311)
Profit for the year		**183,396**	154,359
Attributable to:			
Equity holders of the Company	11	**180,044**	151,760
Minority interests		**3,352**	2,599
		183,396	154,359
Earnings per share for profit attributable to the equity holders of the Company	12		
– Basic		**US 9.21 cents**	US 7.98 cents
– Fully diluted		**US 8.32 cents**	US 7.07 cents
Dividends	13	**55,378**	48,225

Consolidated Balance Sheet

As at 31st December

	Note	2007 US$'000	2006 US$'000
ASSETS			
Non-current assets			
Intangible assets	14	**359,419**	359,472
Property, plant and equipment	15	**250,697**	197,850
Land use rights	16	**15,278**	11,964
Investment properties	17	**10,403**	6,741
Interests in associated companies	19	**10,949**	8,034
Available-for-sale financial assets	20	**6,559**	980
Deferred tax assets	29	**4,743**	7,305
		658,048	592,346
Current assets			
Inventories	21	**1,100,133**	1,020,638
Trade receivables	22	**1,490,872**	1,139,461
Trade amount due from an associated company	23	**30,660**	23,398
Deposits, prepayments and other receivables	22	**372,639**	185,013
Other financial assets at fair value through profit or loss	24	**1,107**	1,085
Tax recoverable		**1**	2,890
Cash and cash equivalents	25	**135,061**	96,025
		3,130,473	2,468,510
Total assets		**3,788,521**	3,060,856
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**19,647**	19,422
Other reserves	27	**1,180,994**	1,046,928
Proposed final dividend	27	**39,677**	32,715
		1,240,318	1,099,065
Minority interests		**123**	12,308
Total equity		**1,240,441**	1,111,373

Consolidated Balance Sheet

As at 31st December

	Note	2007 US$'000	2006 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	**247,956**	199,857
Pension obligations	30	**4,068**	3,640
		252,024	203,497
Current liabilities			
Trade payables	31	**1,436,749**	1,329,954
Other payables and accruals		**238,992**	158,569
Taxation payable		**16,451**	2,371
Warranty provisions	32	**47,627**	33,098
Derivative financial instruments	33	**16,048**	5,704
Borrowings	28	**540,189**	216,290
		2,296,056	1,745,986
Total liabilities		**2,548,080**	1,949,483
Total equity and liabilities		**3,788,521**	3,060,856
Net current assets		**834,417**	722,524
Total assets less current liabilities		**1,492,465**	1,314,870

Dr Hsuan, Jason
Director

Mr Houng Yu-Te
Director

Balance Sheet

As at 31st December

	Note	2007 US$'000	2006 US$'000
ASSETS			
Non-current assets			
Intangible assets	14	**321**	374
Investments in subsidiaries	18	**760,774**	796,854
Available-for-sale financial asset	20	**–**	22
		761,095	797,250
Current assets			
Deposits, prepayments and other receivables	22	**–**	313
Amounts due from subsidiaries	18	**162,061**	174,200
Cash and cash equivalents	25	**512**	1,056
		162,573	175,569
Total assets		**923,668**	972,819
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**19,647**	19,422
Other reserves	27	**635,223**	644,027
Proposed final dividend	27	**39,677**	32,715
		694,547	696,164
LIABILITIES			
Non-current liabilities			
Borrowings	28	**227,956**	199,857
Current liabilities			
Other payables and accruals		**1,165**	798
Borrowings	28	**–**	76,000
		1,165	76,798
Total liabilities		**229,121**	276,655
Total equity and liabilities		**923,668**	972,819
Net current assets		**161,408**	98,771
Total assets less current liabilities		**922,503**	896,021

Dr Hsuan, Jason
Director

Mr Houng Yu-Te
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December

	Note	Share capital US$'000	Other reserves US$'000	Minority interests US$'000	Total US$'000
Balance at 1st January 2006		17,949	837,907	9,709	865,565
Fair value gain on available-for-sale financial assets		–	38	–	38
Exchange differences		–	925	–	925
Net income recognized directly in equity		–	963	–	963
Profit for the year		–	151,760	2,599	154,359
Total recognized income for the year		–	152,723	2,599	155,322
Issue of new shares, net of expenses	26 & 27	1,065	119,538	–	120,603
Employee share option scheme:					
– Employee share-based compensation benefits		–	1,825	–	1,825
– Issue of new shares pursuant to exercise of share options, net of expenses	26 & 27	408	21,461	–	21,869
Dividends paid		–	(53,811)	–	(53,811)
Balance at 31st December 2006		19,422	1,079,643	12,308	1,111,373
Balance at 1st January 2007		19,422	1,079,643	12,308	1,111,373
Disposal of an available-for-sale financial asset		–	(7)	–	(7)
Impairment loss on available-for-sale financial assets		–	996	–	996
Exchange differences		–	6,892	–	6,892
Net income recognized directly in equity		–	7,881	–	7,881
Profit for the year		–	180,044	3,352	183,396
Total recognized income for the year		–	187,925	3,352	191,277
Employee share option scheme:					
– Employee share-based compensation benefits		–	253	–	253
– Issue of new shares pursuant to exercise of share options, net of expenses	26 & 27	225	10,770	–	10,995
Purchase of additional interests in a subsidiary from a minority shareholder		–	(9,423)	(15,537)	(24,960)
Dividends paid		–	(48,497)	–	(48,497)
Balance at 31st December 2007		19,647	1,220,671	123	1,240,441

Consolidated Cash Flow Statement

For the year ended 31st December

	Note	2007 US$'000	2006 US$'000
Cash flows from operating activities			
Net cash used in operations	36(a)	**(143,872)**	(107,102)
Interest paid		**(41,986)**	(35,686)
Overseas taxation paid		**(6,946)**	(22,125)
Net cash used in operating activities		**(192,804)**	(164,913)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**1,806**	1,179
Proceeds from disposal of an available-for-sale financial asset		**40**	–
Purchase of property, plant and equipment		**(108,711)**	(87,972)
Purchase of land use rights		**(3,757)**	–
Purchase of available-for-sale financial assets		**(5,803)**	(50)
Interest received		**2,167**	5,709
Net cash used in investing activities		**(114,258)**	(81,134)
Cash flows from financing activities			
Proceeds from long-term bank borrowings		**45,000**	–
Repayments of long-term bank borrowings		**–**	(96,000)
Net inception/(repayment) of short-term bank borrowings		**323,899**	(69,090)
Proceeds from issuance of new shares		**10,995**	142,472
Proceeds from derivative financial instruments		**9,000**	–
Decrease in pledged bank deposits		**–**	3,861
Dividends paid		**(48,497)**	(53,811)
Net cash generated from/(used in) financing activities		**340,397**	(72,568)
Increase/(decrease) in cash and cash equivalents		**33,335**	(318,615)
Cash and cash equivalents at 1st January		**96,025**	414,885
Effect of foreign exchange rate changes		**5,701**	(245)
Cash and cash equivalents at 31st December		**135,061**	96,025
Analysis of cash and cash equivalents:			
Bank balances and cash		**135,061**	96,025

Notes to the Financial Statements

1 GENERAL INFORMATION

TPV Technology Limited (the "Company") and its subsidiaries (together the "Group") designs, manufactures and sells computer monitors and flat TV products. The Group manufactures mainly in the People's Republic of China ("PRC") and sells to Europe, North and South America, the PRC and other Asian countries.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The shares of the Company are primarily listed on The Stock Exchange of Hong Kong Limited and secondarily listed on the Singapore Exchange Securities Trading Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, investment properties and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

New/revised standards, amendments and interpretations to existing standards:

(a) In 2007, the Group adopted the following new standard, amendment and interpretations to existing standards that are effective in 2007 and relevant to the Group's operations.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standard, amendment and interpretations to existing standards required new disclosures but had no material financial impact on the Group for the year ended 31st December 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) The following interpretation to existing standard is mandatory for accounting periods beginning on or after 1st January 2007 but is not relevant to the Group's operations.

HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies

(c) The following new/revised standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2008. The Group has not early adopted these new/revised standards, amendments and interpretations to existing standards, if applicable, in the financial statements for the year ended 31st December 2007.

HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1st January 2009)
HKFRS 3 (Revised)	Business Combinations (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1st January 2009)
HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 23 (Amendment)	Borrowing Costs (effective for annual periods beginning on or after 1st January 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008)
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1st January 2008)

The Group plans to adopt the above new/revised standards, amendments and interpretations to existing standards when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.8). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, the difference between any proceeds received and the relevant share of minority interests is recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Transactions with minority interests (Continued)

Effective from 1st January 2007, the Group changed its accounting policy for transactions with minority interests from "economic entity approach" to "parent company approach". In the opinion of the directors, the "parent company approach" is more appropriate for the Group in treating transactions with minority interests. The change in accounting policy had no material financial impact on the Group's financial statements in prior years.

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.8).

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation difference resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sales financial asset fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	20 years
Machinery and equipment	5 to 10 years
Moulds	2 years
Electrical appliances and equipment	3 to 5 years
Transportation equipment	3 to 5 years
Furniture, fixtures and miscellaneous equipment	1 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5 above.

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value representing open market value determined annually by external valuers. Fair value is based on market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognized in the income statement.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

2.8 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(b) Trademarks

Acquired trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives (not more than 15 years).

2.9 Impairment of investments in subsidiaries, associated companies and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.13 and 2.14).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are recognized in the period in which they arise. Dividend income from financial assets through profit or loss are recognized in the income statement when the Group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as "other gains - net".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement) is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.11 Accounting for derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognized immediately in the income statement within "other gains/(losses)".

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of loss is recognized in the income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The fair value of the conversion option is recognized initially as part of the consideration for business combination and included in shareholders' equity.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Employee benefits

(a) Pension obligations

The Group participates in a number of defined contribution schemes in the PRC, Hong Kong, Taiwan and overseas countries, the assets of which are held separately from those of the Group in independently administered funds. Contributions are made to these schemes based on a certain percentage of the employees' salaries.

One of the Group's subsidiaries in Taiwan also participates in a defined benefit pension plan in accordance with the local statutory regulations. Under this plan, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of an independent actuary who carries out a full valuation of the plan each year. The pension obligation is measured at the present value of the estimated future cash outflows using the rate of return of high-quality fixed-income investments in Taiwan which have the terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognized over the average remaining service lives of employees. Past service costs are recognized as an expense on a straight-line basis over the vesting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(a) Pension obligations (Continued)

The Group's contributions to defined contribution schemes are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provision for warranties is provided based on management's estimates of the repair costs per unit of product sold in the relevant years and is calculated based on past history of the level of repairs and replacements. Actual warranty expenditure is charged against the provision as incurred.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) Sales of goods

Sales of goods are recognized when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligations that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales return at the time of sale.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(c) Rental income

Operating lease rental income is recognized on a straight-line basis over the lease periods.

2.22 Government grants

Government grants are subsidies on export of computer monitors and flat TV products and economic assistance on certain projects provided by governments.

Government subsidies are recognized in the income statement at their fair values when there is a reasonable assurance that the grants will be received and the Group complies with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the consolidated income statement on a straight-line basis over the expected useful lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Research and development costs

Research costs are expensed as incurred.

Development costs relating to the design and testing of new or improved products and reassessment of production procedures for cost efficiency purposes are expensed as incurred as the directors consider that the related economic benefits generated from these developments have very limited useful lives.

2.24 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.25 Financial guarantees

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognize liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognized in the income statement immediately.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Comparatives

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

(a) Market risk

(i) 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 future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Moreover, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of exchange control promulgated by the PRC government. The Group aims to reduce its currency exposures by using foreign exchange forward contracts.

At 31st December 2007, if US dollar had weakened/strengthened by 1% against Renminbi with all other variables held constant, post-tax profit for the year would have been US$3,804,000 (2006: US$170,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated trade receivables and payables and cash and cash equivalents. Profit is more sensitive to movement in US dollar/Renminbi exchange rates in 2007 than 2006 because of the increased amount of Renminbi denominated trade receivables.

The Company does not have significant exposure to foreign exchange risk.

(ii) Price risk

The Group is exposed to securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group has not mitigated its price risk arising from investments in securities financial assets.

For the Group's investments that are publicly traded, the fair value is determined with reference to quoted market prices. For the Group's investments that are not publicly traded, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

The Company does not have significant exposure to price risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposures to changes in interest rates are mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

Borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings have been disclosed in Note 28. To minimize its interest expenses, the Group entered into interest rate swaps from time to time to mitigate the interest rate risk.

At 31st December 2007, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been US$176,000 (2006: US$99,000) lower/higher, the Company's post-tax profit for the year would have been US$39,000 (2006: US$49,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from cash and cash equivalents as well as credit exposures to trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

As at 31st December 2007 and 2006, all the cash and cash equivalents were deposited in the high quality financial institutions without significant credit risk.

The table below shows the bank balances of the 5 major banks at the balance sheet date. Management does not expect any losses from non-performance by these banks.

Counterparty	Credit rating (Note)	**2007 US$'000**
China Construction Bank (PRC)	A1	**19,364**
Bank of China (PRC)	A1	**18,415**
Standard Chartered Bank (HK) Ltd.	A2	**10,946**
HSBC Bank Brazil S.A.	Ba2	**10,111**
Chinatrust Bank (U.S.A.)	A2	**8,981**
		67,817

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Counterparty	Credit rating (Note)	2006 US$'000
Chinatrust Bank (U.S.A.)	A2	19,265
Bank of China (PRC)	A1	13,525
Banco do Brazil	Ba2	6,082
The Hongkong and Shanghai Banking Corporation Ltd	Aa2	5,866
HSBC Bank Brazil S.A.	Ba2	3,489
		48,227

Note: The source of credit rating is from Moody's.

The Company does not have significant exposure to credit risk.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

The table below shows the balance of the five major debtors at the balance sheet date.

Counterparty	**2007 US$'000**
Customer A	**352,824**
Customer B	**291,673**
Customer C	**105,659**
Customer D	**88,771**
Customer E	**71,094**
	910,021

Counterparty	2006 US$'000
Customer A	289,344
Customer B	159,641
Customer C	151,991
Customer D	102,590
Customer E	44,328
	747,894

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all time.

The table below analyzes the Group's financial liabilities and derivative financial liabilities (net settled and gross settled derivative financial instruments) into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

At 31st December 2007	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**	**Total US$'000**
Borrowings	**540,189**	**45,000**	**210,514**	**795,703**
Interest payments on borrowings	**40,200**	**9,558**	**8,444**	**58,202**
Derivative financial instruments	**2,537,048**	**–**	**–**	**2,537,048**
Trade payables	**1,436,749**	**–**	**–**	**1,436,749**
Other payables and accruals	**238,992**	**–**	**–**	**238,992**

At 31st December 2006	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
Borrowings	216,290	–	210,514	426,804
Interest payments on borrowings	18,364	7,052	14,104	39,520
Derivative financial instruments	1,742,704	–	–	1,742,704
Trade payables	1,329,954	–	–	1,329,954
Other payables and accruals	158,569	–	–	158,569

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

At 31st December 2007	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
Borrowings	**–**	**25,000**	**210,514**	**235,514**
Interest payments on borrowings	**8,444**	**8,444**	**8,444**	**25,332**
Other payables and accruals	**1,165**	**–**	**–**	**1,165**

At 31st December 2006	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
Borrowings	76,000	–	210,514	286,514
Interest payments on borrowings	11,027	7,052	14,104	32,183
Other payables and accruals	798	–	–	798

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. Management considers a debt to equity ratio of not more than 100% as reasonable.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings	**788,145**	416,147	**227,956**	275,857
Less: Cash and cash equivalents	**(135,061)**	(96,025)	**(512)**	(1,056)
Net debt	**653,084**	320,122	**227,444**	274,801
Total equity	**1,240,441**	1,111,373	**694,547**	696,164
Total capital	**1,893,525**	1,431,495	**921,991**	970,965
Debt to equity ratio	**53%**	29%	**33%**	39%

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices on the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debts. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward exchange market rates at balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Taxes

The Group is subject to various taxes in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current tax and deferred tax provisions in the period in which such determination is made.

(b) Warranty provision

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily ranging from twelve to thirty-six months. Significant judgement is required in determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and replacement costs incurred for the products sold in the last thirty-six months. Where the warranty expenses incurred are different from the original provision, such difference would impact the income statement in the period in which the additional warranty expenses are incurred.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of estimates.

(d) Pending litigations

The Group had certain pending litigations as at the balance sheet date. Significant judgement is required in determining whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case a provision for the potential litigation expenses is recognized.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Employee benefits – share-based payments

The valuation of the fair value of the share options granted requires judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

(f) Estimation of provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

(g) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at each balance sheet date.

(h) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to competition within the industry. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

The Group is principally engaged in the design, manufacture and sales of computer monitors and flat TV products. Revenues recognized during the year were as follows:

	2007 US$'000	2006 US$'000
Turnover		
Sales of goods to third parties and related companies (Note 41)	**8,455,151**	7,176,294
Other income		
Export incentives received (Note (a))	**8,325**	5,356
Localization incentives received (Note (b))	**47,998**	18,509
Fiscal refund received (Note (c))	**3,608**	5,494
Rental income, net of direct outgoings	**973**	1,139
Dividend income from other financial assets at fair value through profit or loss	**365**	114
Miscellaneous income	**4,916**	6,300
	66,185	36,912
	8,521,336	7,213,206

Notes:

(a) Export incentives were received from the municipal governments of Fuqing and Wuhan, the PRC.

(b) Localization incentives were received from the government of Brazil for the localization of production in one of its special economic zones. Pursuant to the law of Brazil, these localization incentives have been directly credited to the reserve account of the local subsidiary. In preparing these consolidated financial statements, these localization incentives were recognized as an income in current year and the same amount was appropriated to reserves as at 31st December 2007. Pursuant to the Brazilian regulations, this reserve can be used to set off accumulated losses and increase share capital but cannot be distributed to the shareholders (Note 27).

(c) Fiscal refund was received from the municipal Finance Bureaus of Fuqing and Wuhan, the PRC.

Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

For the year ended 31st December 2006, the Group was organized on a worldwide basis into three main business segments. They were (i) LCD monitors; (ii) LCD TVs; and (iii) CRT monitors. During the year ended 31st December 2007, the Group reorganized its reporting structure and operations in a way that the Group's business segments are changed to (i) Monitors; and (ii) TVs.

Others mainly comprise the sales of chassis, spare parts, CKD/SKD and other general corporate items. Neither of these constitutes a separately reportable segment.

Notes to the Financial Statements

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

	For the year ended 31st December 2007			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Income Statement				
Turnover	6,675,327	1,529,732	250,092	8,455,151
Cost of goods sold	(6,350,636)	(1,467,360)	(246,172)	(8,064,168)
Other income excluding export incentives received, fiscal refund received and localization incentives received	5,734	310	210	6,254
Operating expenses	(162,278)	(41,510)	(3,504)	(207,292)
Segment results	168,147	21,172	626	189,945
Export incentives received				8,325
Fiscal refund received				3,608
Localization incentives received				47,998
Operating profit				249,876
Finance costs – net				(42,918)
Share of profits less losses of associated companies				2,915
Profit before taxation				209,873
Taxation				(26,477)
Profit for the year				183,396
Other information				
Capital expenditure	92,239	19,876	353	112,468
Depreciation	44,303	10,719	430	55,452
Amortization of land use rights	–	–	271	271
Amortization of intangible assets	–	–	53	53
	31st December 2007			
Balance sheet				
Segment assets	3,013,222	608,462	8,418	3,630,102
Interests in associated companies				10,949
Unallocated assets				147,470
Total assets				3,788,521
Segment liabilities	(1,580,273)	(159,546)	(4,068)	(1,743,887)
Unallocated liabilities				(804,193)
Total liabilities				(2,548,080)

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

	For the year ended 31st December 2006				
	LCD monitors US$'000	LCD TVs US$'000	CRT monitors US$'000	Others US$'000	Total US$'000
Income Statement					
Turnover	4,956,754	1,032,178	885,683	301,679	7,176,294
Cost of goods sold	(4,706,430)	(998,617)	(798,378)	(296,449)	(6,799,874)
Other income excluding export incentives received, fiscal refund received and localization incentives received	5,717	504	1,052	280	7,553
Operating expenses	(101,351)	(35,868)	(61,558)	(6,294)	(205,071)
Segment results	154,690	(1,803)	26,799	(784)	178,902
Export incentives received					5,356
Fiscal refund received					5,494
Localization incentives received					18,509
Operating profit					208,261
Finance costs – net					(33,055)
Share of profits less losses of associated companies					464
Profit before taxation					175,670
Taxation					(21,311)
Profit for the year					154,359
Other information					
Capital expenditure	62,719	13,494	9,953	1,806	87,972
Depreciation	29,186	6,108	8,260	1,378	44,932
Amortization of land use rights	–	–	–	250	250
Amortization of intangible assets	–	–	–	53	53

	31st December 2006				
Balance sheet					
Segment assets	2,315,473	355,327	223,089	53,538	2,947,427
Interests in associated companies					8,034
Unallocated assets					105,395
Total assets					3,060,856
Segment liabilities	(1,153,310)	(178,990)	(179,003)	(16,329)	(1,527,632)
Unallocated liabilities					(421,851)
Total liabilities					(1,949,483)

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

Segment assets consist primarily of intangible assets, property, plant and equipment, land use rights, investment properties, inventories, trade receivables, deposits, prepayments and other receivables and tax recoverable. They exclude deferred tax assets, available-for-sale financial assets, other financial assets at fair value through profit or loss and cash and cash equivalents.

Segment liabilities mainly comprise trade payables, other payables and accruals, taxation payable, pension obligations and warranty provisions. They exclude borrowings and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (Note 15) and land use rights (Note 16), including additions resulting from acquisitions through business combinations.

Secondary reporting format – geographical segments

	As at/For the year ended 31st December 2007			
	Turnover US$'000	Operating profit US$'000	Total assets US$'000	Capital expenditure US$'000
Geographical segments:				
Europe	**1,960,869**	**41,260**	**110,987**	**32,092**
North America	**2,276,719**	**76,856**	**395,045**	**50**
South America	**462,094**	**45,677**	**248,714**	**9,457**
Africa	**46,431**	**897**	**–**	**–**
Australia	**158,952**	**5,807**	**335**	**–**
The PRC	**2,323,025**	**69,165**	**1,362,068**	**67,265**
Rest of the world	**1,227,061**	**10,214**	**1,660,423**	**3,604**
	8,455,151	**249,876**	**3,777,572**	**112,468**
Interests in associated companies			**10,949**	
Total assets			**3,788,521**	

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments (Continued)

	As at/For the year ended 31st December 2006			
	Turnover US$'000	Operating profit US$'000	Total assets US$'000	Capital expenditure US$'000
Geographical segments:				
Europe	1,804,154	48,572	32,957	834
North America	2,322,156	72,545	509,051	50
South America	252,102	19,143	119,469	3,361
Africa	47,993	938	–	–
Australia	128,006	2,681	299	–
The PRC	1,662,220	56,647	962,361	79,005
Rest of the world	959,663	7,735	1,428,685	4,722
	7,176,294	208,261	3,052,822	87,972
Interests in associated companies			8,034	
Total assets			3,060,856	

Sales are categorized according to the final destination of shipment. There are no inter-segment sales.

Assets and capital expenditure are categorized according to the country where the assets are located as at the balance sheet date.

6 OTHER GAINS – NET

	2007 US$'000	2006 US$'000
Realized and unrealized gain on foreign exchange forward contracts – net	**22,413**	10,589
Realized and unrealized gain/(loss) on interest rate swaps – net	**1,100**	(2,934)
Fair value loss on other financial assets at fair value through profit or loss	**(137)**	(393)
(Loss)/gain on disposal of other financial assets at fair value through profit or loss	**(18)**	24
Gain on revaluation of investment properties	**3,662**	–
Gain on disposal of an available-for-sale financial asset	**25**	–
Impairment loss on available-for-sale financial assets	**(1,147)**	–
	25,898	7,286

Notes to the Financial Statements

7 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2007 US$'000	2006 US$'000
Crediting		
Net exchange gains (included in administrative expenses)	**34,438**	4,324
Write–back of provision for bad and doubtful debts	**–**	67
Charging		
Cost of inventories	**7,772,691**	6,559,782
Employee benefit expense (including directors' emoluments) (Note 8)	**162,510**	129,498
Depreciation of property, plant and equipment	**55,452**	44,932
Amortization of land use rights (included in cost of goods sold)	**271**	250
Operating lease rental for land and buildings and machinery	**5,637**	4,445
Auditors' remuneration	**970**	745
Amortization of intangible assets (included in administrative expenses)	**53**	53
Provision for warranty (Note 32)	**77,571**	57,040
Provision for bad and doubtful debts	**633**	–
Loss on disposal of property, plant and equipment	**20**	602
Write–down of inventories to net realizable value	**6,855**	201

8 EMPLOYEE BENEFIT EXPENSE

	2007 US$'000	2006 US$'000
Wages, salaries and welfare	**159,107**	125,422
Unutilized annual leave	**86**	60
Share options granted to directors and employees	**253**	1,825
Pension costs – defined contribution plans	**2,426**	1,563
Pension costs – defined benefit plan (Note 30)	**638**	628
	162,510	129,498

Notes to the Financial Statements

8 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2007 is set out below:

Name of director	**Fees US$'000**	**Basic salaries, housing allowances, other allowances and benefits in kind US$'000**	**Discretionary bonuses US$'000**	**Total US$'000**
Dr Hsuan, Jason	**–**	**256**[1]	**450**	**706**
Mr Houng Yu–Te	**–**	**169**[1]	**160**	**329**
Mr Lu, Being–Chang	**–**	**221**[1]	**184**	**405**
Mr Maarten Jan de Vries	**–**	**–**	**–**	**–**
Mr Chang Yueh, David	**–**	**–**	**–**	**–**
Mr Chen Yanshun	**–**	**2**[1]	**–**	**2**
Mr Wang Dongsheng	**–**	**8**[1]	**–**	**8**
Mr Wang Yanjun	**–**	**2**[1]	**–**	**2**
Mr Lu Ming	**–**	**–**	**–**	**–**
Mr Chan Boon–Teong	**34**	**4**[1]	**13**	**51**
Dr Ku Chia–Tai	**25**	**1**[1]	**10**	**36**
Mr Wong Chi Keung	**25**	**1**[1]	**10**	**36**

The remuneration of every director for the year ended 31st December 2006 is set out below:

Name of director	Fees US$'000	Basic salaries, housing allowances, other allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Total US$'000
Dr Hsuan, Jason	–	287[1]	237	524
Mr Houng Yu–Te	–	220[1]	97	317
Mr Maarten Jan de Vries	–	–	–	–
Mr Chang Yueh, David	–	–	–	–
Mr Chen Yanshun	–	32[1]	–	32
Mr Wang Dongsheng	–	16[1]	–	16
Mr Wang Yanjun	–	16[1]	–	16
Mr Chan Boon–Teong	40	–	–	40
Dr Ku Chia–Tai	31	–	–	31
Mr Wong Chi Keung	28	–	–	28

1 Share based compensation was included in this amount, which was determined based on the fair value of the share options granted to the relevant directors at the grant date and recognized over the vesting period.

Notes to the Financial Statements

8 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: three) individuals during the year are as follows:

	2007 **US$'000**	2006 US$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**583**[1]	617[1]
Discretionary bonuses	**588**	350
	1,171	967

[1] Share–based compensation was included in this amount, which was determined based on the fair value of the share options granted to the relevant individuals at the grant date and recognized over the vesting period.

The emoluments fell within the following bands:

	Number of individuals **2007**	2006
HK$2,000,001 to HK$2,500,000 (equivalent to US$256,410 to US$320,513)	**–**	1
HK$2,500,001 to HK$3,000,000 (equivalent to US$320,513 to US$384,615)	**2**	2
HK$3,000,001 to HK$3,500,000 (equivalent to US$384,615 to US$448,718)	**1**	–

During the year, no director waived any emoluments and the Group had not paid any emoluments to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 FINANCE INCOME AND COSTS

	2007 US$'000	2006 US$'000
Interest expense on bank borrowings wholly repayable within five years	**34,856**	28,535
Interest expense on convertible bonds wholly repayable within five years (Note 35)	**10,229**	10,229
	45,085	38,764
Interest income on short–term bank deposits	**(2,167)**	(5,709)
Finance costs – net	**42,918**	33,055

No borrowing costs were capitalized during the years ended 31st December 2007 and 2006.

10 TAXATION

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2006: Nil).

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

Two subsidiaries of the Group, Top Victory Electronics (Fujian) Company Limited and TPV Electronics (Fujian) Company Limited, which were established in an economic and technological development zone in the PRC, were subject to the PRC enterprise income tax rate of 15% under the tax regulations of the PRC. They enjoyed a further 5% reduction in the PRC enterprise income tax rate as their export sales exceeded 70% of the total sales in 2007.

The amount of taxation charged to the consolidated income statement represents:

	2007 US$'000	2006 US$'000
Overseas taxation		
– current year	**23,915**	13,336
– over–provision in prior years	**–**	(287)
Deferred taxation (Note 29)	**2,562**	8,262
	26,477	21,311

10 TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the principal place of business of the Group as follows:

	2007 US$'000	2006 US$'000
Profit before taxation	**209,873**	175,670
Calculated at a taxation rate of 15% (2006: 15%)	**31,481**	26,351
Different taxation rates in other countries	**2,697**	2,508
Change of taxation rate	**(1,387)**	–
Income not subject to taxation	**(15,090)**	(7,335)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**(8,610)**	(7,766)
Expenses not deductible for taxation purposes	**17,386**	5,561
Recognition of previously unrecognized timing differences	**–**	2,279
Over–provision in prior years	**–**	(287)
Taxation	**26,477**	21,311

The National People's Congress approved the Corporate Income Tax Law of the PRC (the new "CIT Law") on 16th March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6th December 2007, which was effective from 1st January 2008. According to the new CIT Law, the income tax rates for both domestic and foreign investment enterprises will be unified at 25% effective from 1st January 2008. However, for enterprises which were established before the publication of the new CIT Law and were entitled to preferential treatments of reduced CIT tax rate granted by relevant tax authorities, the new CIT rate may be gradually increased to 25% within 5 years after the effective date of the new CIT Law. For the region that enjoys a reduced CIT rate at 15%, the new CIT rate will gradually increase to 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 according to grandfathering rules stipulated in the DIR and related circular. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately US$35,639,000 (2006: US$41,693,000).

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (US$'000)	**180,044**	151,760
Weighted average number of ordinary shares in issue (thousands)	**1,954,167**	1,901,656
Basic earnings per share (US cents per share)	**9.21**	7.98

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
Profit attributable to equity holders of the Company (US$'000)	**180,044**	151,760
Interest expense on convertible bonds (US$'000)	**10,229**	10,229
Profit used to determine diluted earnings per share (US$'000)	**190,273**	161,989
Weighted average number of ordinary shares in issue (thousands)	**1,954,167**	1,901,656
Adjustments for		
– assumed conversion of convertible bonds (thousands)	**322,401**	336,824
– share options (thousands)	**11,295**	52,835
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,287,863**	2,291,315
Diluted earnings per share (US cents per share)	**8.32**	7.07

13 DIVIDENDS

	2007 US$'000	2006 US$'000
Interim, paid, of US0.80 cent (2006: US0.80 cent) per ordinary share	**15,701**	15,510
Final, proposed, of US2.02 cents (2006: US1.68 cents) per ordinary share	**39,677**	32,715
	55,378	48,225

The directors proposed on 9th April 2008 a final dividend of US2.02 cents per share (2006: US1.68 cents) payable in cash to equity holders. The amount of 2007 proposed final dividend is based on 1,964,198,525 shares in issue as at 9th April 2008 (2006: 1,947,303,525 shares as at 11th April 2007). This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2008.

14 INTANGIBLE ASSETS

		Group	
	Goodwill US$'000	Trademarks US$'000	Total US$'000
Year ended 31st December 2006			
Opening net book amount	359,098	427	359,525
Amortization charge (Note (a))	–	(53)	(53)
Closing net book amount	359,098	374	359,472
At 31st December 2006			
Cost	359,098	800	359,898
Accumulated amortization	–	(426)	(426)
Net book amount	359,098	374	359,472
Year ended 31st December 2007			
Opening net book amount	359,098	374	359,472
Amortization charge (Note (a))	–	(53)	(53)
Closing net book amount	359,098	321	359,419
At 31st December 2007			
Cost	359,098	800	359,898
Accumulated amortization	–	(479)	(479)
Net book amount	359,098	321	359,419

14 INTANGIBLE ASSETS (Continued)

	Company Trademarks US$'000
Year ended 31st December 2006	
Opening net book amount	427
Amortization charge (Note (a))	(53)
Closing net book amount	374
At 31st December 2006	
Cost	800
Accumulated amortization	(426)
Net book amount	374
Year ended 31st December 2007	
Opening net book amount	374
Amortization charge (Note (a))	(53)
Closing net book amount	321
At 31st December 2007	
Cost	800
Accumulated amortization	(479)
Net book amount	321

Note:

(a) Amortization charge is included in administrative expenses in the income statement.

14 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

A summary of the goodwill allocation is presented below.

	2006 US$'000
LCD monitors	290,413
LCD TVs	37,793
CRT monitors	30,892
	359,098

	2007 **US$'000**
Monitors	**294,274**
TVs	**64,824**
	359,098

In order to cope with the changes in business environment, the Group realigned its organization in the second half of 2007. To reflect this new organizational structure, the Group has reallocated goodwill to its revised business segments based on their relative fair value in accordance with the requirements of HKFRS. After the reallocation, the net carrying amount of goodwill has not changed from previous year.

The recoverable amount of a CGU is determined based on value–in–use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five–year period. Cash flows beyond the five–year period are extrapolated using estimated growth rates stated below. The growth rate does not exceed the long–term average growth rate for the business in which the CGU operates.

Key assumptions used for value–in–use calculations

	Monitors	TVs
Gross margin	4.6%	4.1%
Growth rate	5.4%	15.6%
Discount rate	10.0%	10.0%

Management determined budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre–tax and reflect specific risks relating to the relevant segments.

The directors are of the opinion that there was no impairment of goodwill as at 31st December 2007 and 2006.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31st December 2006										
Opening net book amount	6,544	44,512	3,594	21,090	24,709	26,503	747	7,258	26,823	161,780
Reclassification	–	(2,206)	2,889	3,590	–	(4,199)	13	(87)	–	–
Exchange differences	85	(120)	66	630	400	105	17	6	25	1,214
Additions	–	1,959	591	6,218	33,442	15,851	280	6,452	23,179	87,972
Transfer	–	16,296	1,764	8,155	275	437	–	5	(33,335)	(6,403)
Disposals	–	–	(41)	(579)	(1,105)	(39)	(17)	–	–	(1,781)
Depreciation	–	(1,992)	(1,208)	(5,260)	(25,870)	(8,335)	(259)	(2,008)	–	(44,932)
Closing net book amount	6,629	58,449	7,655	33,844	31,851	30,323	781	11,626	16,692	197,850
At 31st December 2006										
Cost	6,629	71,061	10,036	63,213	128,278	87,384	2,380	18,989	16,692	404,662
Accumulated depreciation	–	(12,612)	(2,381)	(29,369)	(96,427)	(57,061)	(1,599)	(7,363)	–	(206,812)
Net book amount	6,629	58,449	7,655	33,844	31,851	30,323	781	11,626	16,692	197,850
Year ended 31st December 2007										
Opening net book amount	6,629	58,449	7,655	33,844	31,851	30,323	781	11,626	16,692	197,850
Exchange differences	(6)	(402)	135	1,079	98	(6)	24	302	190	1,414
Additions	3,931	1,613	1,149	10,336	23,604	14,989	703	4,133	48,253	108,711
Transfer	–	10,653	482	8,351	1,192	922	5	6	(21,611)	–
Disposals	–	–	–	(130)	(385)	(1,144)	(4)	(163)	–	(1,826)
Depreciation	–	(3,993)	(741)	(6,462)	(30,321)	(10,077)	(246)	(3,612)	–	(55,452)
Closing net book amount	10,554	66,320	8,680	47,018	26,039	35,007	1,263	12,292	43,524	250,697
At 31st December 2007										
Cost	10,554	82,385	11,681	77,512	149,495	98,722	2,970	22,976	43,524	499,819
Accumulated depreciation	–	(16,065)	(3,001)	(30,494)	(123,456)	(63,715)	(1,707)	(10,684)	–	(249,122)
Net book amount	10,554	66,320	8,680	47,018	26,039	35,007	1,263	12,292	43,524	250,697

Depreciation of US$52,600,000 (2006: US$42,857,000), US$115,000 (2006: US$98,000), US$428,000 (2006: US$258,000) and US$2,309,000 (2006: US$1,719,000) was presented in the income statement within cost of goods sold, selling and distribution expenses, administrative expenses and research and development expenses respectively.

Notes to the Financial Statements

16 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	Group	
	2007	2006
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**749**	763
Leases of between 10 and 50 years	**14,529**	11,201
	15,278	11,964

	2007	2006
	US$'000	US$'000
Opening net book value	**11,964**	12,589
Exchange differences	**(172)**	(180)
Additions	**3,757**	–
Amortization of prepaid operating lease payments	**(271)**	(250)
Transfer to investment properties	**–**	(195)
Closing net book value	**15,278**	11,964

17 INVESTMENT PROPERTIES

	Group	
	2007	2006
	US$'000	US$'000
Opening net book value	**6,741**	–
Transfer from land use rights and property, plant and equipment	**–**	6,598
Fair value gain (included in other gains – net)	**3,662**	–
Exchange differences	**–**	143
Closing net book value	**10,403**	6,741

The investment properties are in the PRC and are located on land held on leases of between 10 and 50 years. The Group leases out the investment properties under operating leases, for a period of one to three years.

18 INVESTMENTS IN SUBSIDIARIES

	Company 2007 US$'000	Company 2006 US$'000
Unlisted shares, at cost	**59,066**	59,066
Amounts due from subsidiaries	**863,769**	911,988
	922,835	971,054
Less: Non-current portion	**(760,774)**	(796,854)
Current portion	**162,061**	174,200

As at 31st December 2007, the amounts due from subsidiaries are unsecured, interest free and non-current in nature, except for an amount of US$162,061,000 (2006: US$98,200,000) which is repayable on demand. Moreover, the amounts due from subsidiaries as at 31st December 2006 included an amount of US$76,000,000 which bore interest at London Inter-Bank Offering Rate plus 0.6% and repayable on or before 13th October 2007.

Particulars of the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the profit and assets of the Group, as at 31st December 2007 are as follows:

Name	Place of incorporation (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares directly held by the Company:				
Top Victory International Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	100%
Shares/investments indirectly held by the Company:				
Top Victory Investments Limited	Hong Kong	Trading of computer monitors and flat TVs and sourcing	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each (Note (d))	100%
Top Victory Electronics (Fujian) Co., Ltd.[1] (Note (b))	The PRC	Production and sales of computer monitors	Paid-in capital of US$40,000,000	100%

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares/investments indirectly held by the Company: (Continued)				
Top Victory Electronics (Taiwan) Co., Ltd.[1]	Taiwan	Research and development of computer monitors and sourcing of certain components	92,000,000 ordinary shares of NT$10 each	100%
TPV Electronics (Fujian) Co., Ltd.[1] (Note (b))	The PRC	Production and sales of computer monitors and flat TVs	Paid-in capital of US$45,000,000	100%
TPV Technology (Wuhan) Co., Ltd.[1] (Note (b))	The PRC	Production and sales of computer monitors	Paid-in capital of US$16,880,000	100%
TPV Display Technology (Wuhan) Co., Ltd.[1] (Note (b))	The PRC	Production and sales of computer monitors	Paid-in capital of US$12,000,000	100%
TPV Technology (Ningbo) Co., Ltd.[1] (Note (b))	The PRC	Production and sales of computer monitors and flat TVs	Paid-in capital of US$29,980,000	100%
TPV Trading (Ningbo) Co., Ltd.[1] (Note (b))	The PRC	Production and sales of computer monitors and flat TVs	Paid-in capital of US$1,500,000	100%
AOC do Brasil Monitores Ltda.	Brazil	Sales and distribution of computer monitors and flat TVs	12,054,599 ordinary shares of Reais $1 each	99.56%

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares/investments indirectly held by the Company: (Continued)				
AOC International (Europe) GmbH	Germany	Sales and distribution of computer monitors and flat TVs	1 ordinary share of €230,081 each	100%
TPV International (USA), Inc.	United States of America	Sales and distribution of computer monitors and flat TVs	1,000,000 ordinary shares of US$1 each	100%
TPV International (Netherlands) B.V.	The Netherlands	Provision of after-sales services	5,000 ordinary shares of €100 each	100%
Envision Industria de Productos Electronicos Ltda.	Brazil	Production and sales of computer monitors and flat TVs	50,000,000 ordinary shares of Reais $1 each	99.79%
TPV Technology (Beijing) Co., Ltd. ("TPV Beijing")[1] (Note (b))	The PRC	Production and sales of computer monitors and flat TVs	280,600,000 ordinary shares of RMB1 each	100%
TPV Technology (Suzhou) Co., Ltd. (formerly known as Philips Consumer Electronics Co. of Suzhou Ltd.)[1] (Note (c))	The PRC	Production and sales of computer monitors and flat TVs	Paid-in capital of US$48,000,000	100%
TPV Technology Polska Sp.z o.o	Poland	Production and sales of computer monitors and flat TVs	300,000 ordinary share of PLN50 each	100%
TPV Display Polska Sp.z o.o	Poland	Production and sales of computer monitors and flat TVs	100,000 ordinary share of PLN500 each	100%

Notes to the Financial Statements

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares/investments indirectly held by the Company: (Continued)				
P-Harmony Monitors (Taiwan) Ltd.[1]	Taiwan	Trading of Computer monitors	1,000,000 ordinary shares of NT$100 each	100%
P-Harmony Monitors USA Inc.	United States of America	Trading of computer monitors	1,000 ordinary shares of US$1 each	100%
P-Harmony Monitors Netherlands B.V.	The Netherlands	Trading of computer monitors	300 ordinary shares of €100 each	100%

[1] English translation is for identification purpose only.

Notes:

(a) These subsidiaries principally operate in their places of incorporation.

(b) These subsidiaries were established as wholly foreign owned enterprises in the PRC.

(c) This subsidiary was established as an equity joint venture company in the PRC. After the completion of the Group's acquisition of the remaining interests held by another shareholder of this subsidiary on 15th June 2007, this subsidiary became a wholly foreign owned enterprise.

(d) The non-voting deferred shares shall not confer on the holders thereof voting rights or any rights and privileges to participate in profits and assets except that Top Victory Investments Limited may distribute profits in respect of any financial year the first HK$100,000,000,000,000 thereof among the holders of the "A" ordinary shares and the balance, if any, among the holders of the "A" ordinary shares and the non-voting deferred shares. Top Victory Investments Limited may distribute assets as regards the first HK$100,000,000,000,000 thereof among the holders of "A" ordinary shares and the balance, if any, among the holders of "A" ordinary shares and non-voting deferred shares.

19 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2007	2006
	US$'000	US$'000
Beginning of the year	**8,034**	7,570
Share of associated companies' results		
– profit before taxation	**3,076**	464
– taxation	**(161)**	–
End of the year	**10,949**	8,034

19 INTERESTS IN ASSOCIATED COMPANIES (Continued)

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

Name	Particulars of issued shares held	Place of incorporation (Note (a))	Attributable to the Group				% Interest held
			Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit US$'000	
2007							
Envision Peripherals, Inc.	**1,000,000 ordinary shares of US$1 each**	**United States of America**	**25,213**	**(25,119)**	**71,622**	**94**	**24%**
HannStar Display (Wuhan) Corp.[1] (note (b))	**Paid-in capital of US$15,000,000**	**The PRC**	**6,102**	**(3,070)**	**2,678**	**152**	**20%**
CPT TPV Optical (Fujian) Co., Ltd.[1] (note (b))	**Paid-in capital of US$22,500,000**	**The PRC**	**15,465**	**(7,642)**	**6,004**	**2,669**	**20%**
			46,780	**(35,831)**	**80,304**	**2,915**	

Name	Particulars of issued shares held	Place of incorporation (Note (a))	Attributable to the Group				% Interest held
			Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit/(loss) US$'000	
2006							
Envision Peripherals, Inc.	1,000,000 ordinary shares of US$1 each	United States of America	14,890	(14,890)	53,233	(332)	24%
HannStar Display (Wuhan) Corp.[1] (note (b))	Paid-in capital of US$15,000,000	The PRC	6,410	(3,530)	1,482	(20)	20%
CPT TPV Optical (Fujian) Co., Ltd.[1] (note (b))	Paid-in capital of US$22,500,000	The PRC	12,190	(7,036)	3,394	816	20%
			33,490	(25,456)	58,109	464	

[1] English translation is for identification purpose only.

Notes:

(a) The associated companies principally operate in their places of incorporation.

(b) These associated companies are established as wholly foreign owned enterprises in the PRC.

Notes to the Financial Statements

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Beginning of the year	**980**	899	**22**	7
Exchange differences	**(51)**	(7)	**–**	–
Additions	**5,803**	50	**–**	–
Disposals	**(22)**	–	**(22)**	–
Net gain transferred to equity (Note 27)	**–**	38	**–**	15
Impairment loss charged to the income statement	**(151)**	–	**–**	–
End of the year	**6,559**	980	**–**	22

As at 31st December 2007, the Group has an impairment provision on available-for-sale financial assets of US$1,147,000 (2006: Nil).

Available-for-sale financial assets include the following:

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Listed securities:				
– Equity securities – Hong Kong	**–**	22	**–**	22
– Equity securities – Taiwan	**191**	352	**–**	–
Unlisted securities (traded on inactive markets and of private issuers):				
– Equity securities	**565**	606	**–**	–
– Debt securities	**5,803**	–	**–**	–
	6,559	980	**–**	22
Market value of listed securities	**191**	374	**–**	22

Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
HK dollars	**–**	22	**–**	22
US dollars	**500**	500	**–**	–
New Taiwan dollars	**6,059**	458	**–**	–
	6,559	980	**–**	22

Notes to the Financial Statements

21 INVENTORIES

	Group	
	2007	2006
	US$'000	US$'000
Raw materials	**383,647**	235,157
Work-in-progress	**34,899**	14,594
Finished goods	**678,478**	767,603
Production supplies	**3,109**	3,284
	1,100,133	1,020,638

The cost of inventories recognized as expense and included in cost of goods sold amounted to US$7,772,691,000 (2006: US$6,559,782,000).

22 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**1,495,830**	1,144,272	**–**	–
Less: provision for impairment of receivables	**(4,958)**	(4,811)	**–**	–
Trade receivables, net	**1,490,872**	1,139,461	**–**	–
Deposits	**9,821**	1,666	**–**	–
Prepayments	**137,550**	24,678	**–**	313
Other receivables	**225,268**	158,669	**–**	–
	1,863,511	1,324,474	**–**	313

The carrying amounts of trade receivables, deposits, prepayments and other receivables approximate their fair values.

The ageing analysis of trade receivables is as follows:

	Group	
	2007	2006
	US$'000	US$'000
0 – 30 days	**557,701**	771,211
31 – 60 days	**577,655**	260,380
61 – 90 days	**282,021**	69,260
91 – 120 days	**60,989**	22,337
Over 120 days	**17,464**	21,084
	1,495,830	1,144,272

22 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

There was a concentration of credit risk with respect to trade receivables as the Group's sales are concentrated in several key customers. The Group's credit risk control is disclosed in Note 3.

As of 31st December 2007, trade receivables of US$4,958,000 (2006: US$4,811,000) were impaired. The amount of the provision was US$4,958,000 as of 31st December 2007 (2006: US$4,811,000). The individually impaired receivables mainly relate to a number of small customers, which are in unexpected difficult economic situations. The ageing of these past due receivables is as follows:

	2007 US$'000	2006 US$'000
1 – 120 days	**275**	1,936
Over 120 days	**4,683**	2,875
	4,958	4,811

As of 31st December 2007, trade receivables of US$134,603,000 (2006: US$62,270,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 US$'000	2006 US$'000
1 – 90 days	**133,966**	53,262
91 – 120 days	**364**	4,677
Over 120 days	**273**	4,331
	134,603	62,270

The carrying amounts of the Group's trade receivables, deposits, prepayments and other receivables are denominated in the following currencies:

	Group		**Company**	
	2007 US$'000	2006 US$'000	**2007 US$'000**	2006 US$'000
US dollars	**1,093,018**	980,763	**–**	313
Renminbi	**579,552**	262,093	**–**	–
Brazilian reais	**139,829**	55,072	**–**	–
Indian rupees	**19,686**	11,135	**–**	–
Euros	**12,259**	9,573	**–**	–
Other currencies	**19,167**	5,838	**–**	–
	1,863,511	1,324,474	**–**	313

22 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2007 US$'000	2006 US$'000
At 1st January	**4,811**	5,034
Provision for impairment of receivables	**633**	–
Receivables written off during the year as uncollectible	**(486)**	(156)
Write-back of provision	**–**	(67)
At 31st December	**4,958**	4,811

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement (Note 7). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

23 TRADE AMOUNT DUE FROM AN ASSOCIATED COMPANY

The ageing analysis of trade amount due from an associated company is as follows:

	Group	
	2007 US$'000	2006 US$'000
0 – 30 days	**7,985**	7,819
31 – 60 days	**4,858**	6,337
61 – 90 days	**12,019**	7,557
91 – 120 days	**5,798**	1,685
	30,660	23,398

The trade amount due from an associated company is unsecured, interest free and has normal commercial terms of repayment.

The carrying amount of trade amount due from an associated company approximates its fair value.

The trade amount due from an associated company was not impaired as of 31st December 2007 and 2006.

23 TRADE AMOUNT DUE FROM AN ASSOCIATED COMPANY (Continued)

As of 31st December 2007, part of the amount due from an associated company of US$5,798,000 (2006: US$2,962,000) was past due but not impaired. The ageing analysis of this portion is as follows:

	2007 US$'000	2006 US$'000
1 – 30 days	**5,798**	2,962

The carrying amount of the trade amount due from an associated company is denominated in US dollars as of 31st December 2007 and 2006.

24 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007 US$'000	2006 US$'000
Listed securities, at market value:		
– Equity securities – Singapore	**1,107**	1,085

Other financial assets at fair value through profit or loss are presented within the section on operating activities as part of the changes in working capital in the cash flow statement (Note 36).

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other gains – net in the income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 US$'000	2006 US$'000	2007 US$'000	2006 US$'000
Cash at bank and in hand	**128,150**	88,705	**512**	1,056
Short-term bank deposits	**6,911**	7,320	**–**	–
	135,061	96,025	**512**	1,056
Maximum exposure to credit risk	**135,025**	95,680	**512**	1,056

25 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
US dollars	**52,535**	61,161	**127**	155
Renminbi	**60,600**	13,727	**–**	–
Brazilian reais	**16,058**	9,601	**–**	–
Euros	**2,735**	7,100	**48**	44
Other currencies	**3,133**	4,436	**337**	857
	135,061	96,025	**512**	1,056

The effective interest rate on short-term bank deposits was 3.26% (2006: 4.79%); these deposits had an average maturity of 2 days (2006: 2 days).

The conversion of cash and cash equivalents of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

26 SHARE CAPITAL

	2007	2006
	US$'000	US$'000
Authorized:		
4,000,000,000 (2006: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
1,964,728,525 (2006: 1,942,185,525) ordinary shares of US$0.01 each	**19,647**	19,422

26 SHARE CAPITAL (Continued)

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

	2007 Number of issued ordinary shares of US$0.01 each	2007 Par value US$'000	2006 Number of issued ordinary shares of US$0.01 each	2006 Par value US$'000
Beginning of the year	**1,942,185,525**	**19,422**	1,794,865,754	17,949
Issue of shares pursuant to exercise of share options (Note (a))	**22,543,000**	**225**	40,819,771	408
Issue of shares, net of expenses (Note (b))	**–**	**–**	106,500,000	1,065
End of the year	**1,964,728,525**	**19,647**	1,942,185,525	19,422

(a) During the year, 22,543,000 (2006: 40,819,771) new shares of US$0.01 each were issued upon the exercise of options under the share option scheme approved by the shareholders of the Company at an exercise price ranging from HK$2.325 to HK$4.735 (US$0.30 to US$0.61) per share. These shares rank pari passu with the existing shares of the Company.

The Company has share option schemes as at 31st December 2007, under which it may grant options to employees of the Group to subscribe for shares of the Company. During the year, 7,676,000 (2006: 2,056,000) of these options lapsed in connection with the cessation of employment of certain employees and the expiry of exercise period.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

				Number of share options			
Date of grant	Exercise price	Note	At 1st January 2007	Granted during the year	Exercised during the year	Lapsed during the year	At 31st December 2007
2nd May 2002	HK$3.300	(i)	3,419,000	–	(2,438,000)	(981,000)	–
1st August 2002	HK$2.325	(ii)	6,990,000	–	(6,486,000)	(504,000)	–
3rd November 2003	HK$4.140	(iii)	16,705,000	–	(3,030,000)	–	13,675,000
20th May 2004	HK$4.735	(iv)	81,511,229	–	(10,589,000)	(6,191,000)	64,731,229
12th December 2007	HK$5.750	(v)	–	22,484,026	–	–	22,484,026
			108,625,229	22,484,026	(22,543,000)	(7,676,000)	100,890,255

26 SHARE CAPITAL (Continued)

(a) Notes:

(i) These options are exercisable at HK$3.300 (US$0.42) per share in two trenches: 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% and 100%, respectively.

(ii) These options are exercisable at HK$2.325 (US$0.30) per share in two trenches: the maximum percentage of options exercisable within the periods commencing from 8th June 2004 to 31st July 2007 and from 8th June 2005 to 31st July 2007 are 50% and 100%, respectively.

(iii) These options are exercisable at HK$4.140 (US$0.53) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 8th June 2004 to 2nd November 2008, from 8th June 2005 to 2nd November 2008 and from 8th June 2006 to 2nd November 2008 are 20%, 50% and 100%, respectively.

(iv) These options are exercisable at HK$4.735 (US$0.61) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 8th June 2005 to 19th May 2009, from 8th June 2006 to 19th May 2009 and from 8th June 2007 to 19th May 2009 are 20%, 50% and 100%, respectively.

(v) These options are exercisable at HK$5.750 (US$0.74) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12th December 2008 to 11th December 2012, from 12th December 2009 to 11th December 2012 and from 12th December 2010 to 11th December 2012 are 20%, 50% and 100%, respectively.

The fair value of the share options granted during the year was estimated at the grant date by using the Binomial option pricing model, after taking into account the terms and conditions upon which the options were granted. The significant assumptions and inputs used in the valuation model are as follows:

Market price at the grant date	HK$5.75
Risk-free interest rate	3.64%
Expected volatility	44.954%
Expected dividend per share	3.60%

Binomial option pricing model is subject to certain fundamental limitations because of the subjective nature of and uncertainty relating to the assumptions and inputs to the model as well as certain inherent limitations of the model itself. Any changes in the above assumptions or inputs may materially affect the fair value estimation.

26 SHARE CAPITAL (Continued)

(a) The fair value of the 22,484,026 share options granted on 12th December 2007, amounting to US$5,161,079 is to be recognized as employee benefit expense of the Group according to the vesting conditions. An amount of approximately US$108,126 was recognized in the income statement for the year ended 31st December 2007.

Options exercised during the year resulted in 22,543,000 (2006: 40,819,771) ordinary shares being issued at HK$3.300 (US$0.42), HK$2.325 (US$0.30), HK$4.140 (US$0.53) and HK$4.735 (US$0.61), yielding the following proceeds:

	2007	2006
	US$'000	US$'000
Ordinary share capital – at par	**225**	408
Share premium	**10,770**	21,461
Proceeds	**10,995**	21,869

The related weighted average share price at the time of exercise was HK$5.269 (US$0.68) (2006: HK$7.606 (US$0.98)) per share.

(b) For the year ended 31st December 2006, the Company placed 106,500,000 shares of US$0.01 each to independent third parties. The placing price was HK$9.00 per share. In this placing, the Company issued 106,500,000 new shares.

27 RESERVES

	Group											
	Share premium US$'000	Capital reserve (Note 5(b)) US$'000	Share redemption reserve US$'000	Employee share–based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Convertible bonds (Note (d)) US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2006	347,204	23,270	12	8,334	1,406	28,838	10,001	(1,027)	5,308	58,271	356,290	837,907
Fair value gain on available-for-sale financial assets	–	–	–	–	–	–	–	38	–	–	–	38
Exchange differences	–	–	–	–	925	–	–	–	–	–	–	925
Profit for the year	–	–	–	–	–	–	–	–	–	–	151,760	151,760
Transfer from retained profits	–	18,509	–	–	–	5,990	–	–	–	–	(24,499)	–
Employee share option scheme:												
– Employee share-based compensation benefits	–	–	–	1,825	–	–	–	–	–	–	–	1,825
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 26)	21,461	–	–	–	–	–	–	–	–	–	–	21,461
Issue of new shares, net of expenses (Note 26)	119,538	–	–	–	–	–	–	–	–	–	–	119,538
Dividend paid:												
2005 final	–	–	–	–	–	–	–	–	–	–	(38,301)	(38,301)
2006 interim	–	–	–	–	–	–	–	–	–	–	(15,510)	(15,510)
Exercise of share options	3,306	–	–	(3,306)	–	–	–	–	–	–	–	–
Balance at 31st December 2006	491,509	41,779	12	6,853	2,331	34,828	10,001	(989)	5,308	58,271	429,740	1,079,643
Represented by:												
Other reserves												1,046,928
Proposed final dividend												32,715
												1,079,643

27 RESERVES (Continued)

	Group												
	Share premium US$'000	Capital reserve (Note 5(b)) US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Convertible bonds (Note (d)) US$'000	Other reserves US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2007	491,509	41,779	12	6,853	2,331	34,828	10,001	(989)	5,308	58,271	-	429,740	1,079,643
Disposal of an available-for-sale financial asset	-	-	-	-	-	-	-	(7)	-	-	-	-	(7)
Impairment loss on available-for-sale financials assets	-	-	-	-	-	-	-	996	-	-	-	-	996
Exchange differences	-	-	-	-	6,892	-	-	-	-	-	-	-	6,892
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	180,044	180,044
Transfer from retained profits (Note)	-	23,104	-	-	-	12,722	-	-	-	-	-	(35,826)	-
Employee share option scheme:													
– Employee share-based compensation benefits	-	-	-	253	-	-	-	-	-	-	-	-	253
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 26)	10,770	-	-	-	-	-	-	-	-	-	-	-	10,770
Purchase of additional interests in a subsidiary from a minority shareholder	-	-	-	-	-	-	-	-	-	-	(9,423)	-	(9,423)
Dividend paid:													
2006 final	-	-	-	-	-	-	-	-	-	-	-	(32,796)	(32,796)
2007 interim	-	-	-	-	-	-	-	-	-	-	-	(15,701)	(15,701)
Exercise of share options	1,067	-	-	(1,067)	-	-	-	-	-	-	-	-	-
Balance at 31st December 2007	503,346	64,883	12	6,039	9,223	47,550	10,001	-	5,308	58,271	(9,423)	525,461	1,220,671
Represented by:													
Other reserves													1,180,994
Proposed final dividend													39,677
													1,220,671

Note:

For the year ended 31st December 2007, a Brazilian subsidiary of the Group used US$24,894,000 capital reserve to set off its accumulated losses and increase its share capital.

27 RESERVES (Continued)

	Company							
	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note (c)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Convertible bonds (Note (d)) US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2006	347,204	12	8,334	11,433	(8)	58,271	120,775	546,021
Fair value gain on available-for-sale financial assets	–	–	–	–	15	–	–	15
Profit for the year	–	–	–	–	–	–	41,693	41,693
Employee share option scheme:								
– Employee share-based compensation benefits	–	–	1,825	–	–	–	–	1,825
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 26)	21,461	–	–	–	–	–	–	21,461
Issue of new shares, net of expenses (Note 26)	119,538	–	–	–	–	–	–	119,538
Dividends paid:								
2005 final	–	–	–	–	–	–	(38,301)	(38,301)
2006 interim	–	–	–	–	–	–	(15,510)	(15,510)
Exercise of share options	3,306	–	(3,306)	–	–	–	–	–
Balance at 31st December 2006	491,509	12	6,853	11,433	7	58,271	108,657	676,742
Represented by:								
Other reserves								644,027
Proposed final dividend								32,715
								676,742

27 RESERVES (Continued)

	Company							
	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note (c)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Convertible bonds (Note (d)) US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2007	491,509	12	6,853	11,433	7	58,271	108,657	676,742
Disposal of an available-for-sale financial asset	–	–	–	–	(7)	–	–	(7)
Profit for the year	–	–	–	–	–	–	35,639	35,639
Employee share option scheme:								
– Employee share-based compensation benefits	–	–	253	–	–	–	–	253
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 26)	10,770	–	–	–	–	–	–	10,770
Dividends paid:								
2006 final	–	–	–	–	–	–	(32,796)	(32,796)
2007 interim	–	–	–	–	–	–	(15,701)	(15,701)
Exercise of share options	1,067	–	(1,067)	–	–	–	–	–
Balance at 31st December 2007	503,346	12	6,039	11,433	–	58,271	95,799	674,900
Represented by:								
Other reserves								635,223
Proposed final dividend								39,677
								674,900

(a) In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after taxation, calculated based on PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. Pursuant to the relevant PRC regulations, this reserve can be used for making up losses and increase of capital.

(b) The merger difference of the Group represents the difference between the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to a corporate reorganization (the "Reorganization"), which was completed on 21st September 1999, in preparation for a listing of the Company's shares on The Stock Exchange of Hong Kong Limited, over the nominal value of the share capital of the Company issued in exchange thereof.

27 RESERVES (Continued)

(c) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the share capital of the subsidiary acquired pursuant to the Reorganization and the value of the consolidated net assets of the subsidiary acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, as well as the issued share capital and premium is less than the realizable value of its assets.

(d) Convertible bonds in reserves represents the value of the equity conversion component. Details of the convertible bonds are set out in Note 35.

28 BORROWINGS

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Bank borrowings	**45,000**	–	**25,000**	–
Convertible bonds (Note 35)	**202,956**	199,857	**202,956**	199,857
	247,956	199,857	**227,956**	199,857
Current				
Bank borrowings	**540,189**	216,290	**–**	76,000
Total borrowings	**788,145**	416,147	**227,956**	275,857

As at 31st December 2007, the Group's borrowings were repayable as follows:

	Group				Company			
	Bank borrowings		Convertible bonds		Bank borrowings		Convertible bonds	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**540,189**	216,290	**–**	–	**–**	76,000	**–**	–
In the second year	**45,000**	–	**–**	–	**25,000**	–	**–**	–
In the third to the fifth year	**–**	–	**202,956**	199,857	**–**	–	**202,956**	199,857
Wholly repayable within five years	**585,189**	216,290	**202,956**	199,857	**25,000**	76,000	**202,956**	199,857

28 BORROWINGS (Continued)

The effective interest rates at the balance sheet date were as follows:

	2007	2006
Bank borrowings	**5.36%–6.14%**	5.23%–6.20%
Convertible bonds (Note 35)	**5.29%**	5.29%

The carrying amounts of bank borrowings approximate their fair values as the bank borrowings are at floating interest rates.

The carrying amounts of the borrowings are denominated in US dollars.

As at 31st December 2007, the Group had undrawn bank loan and overdraft facilities of US$2,516,506,000 (2006: US$3,148,686,000).

29 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable taxation rates prevailing in the countries/places in which the Group operates.

Details of deferred taxation are as follows:

	Group	
	2007	2006
	US$'000	US$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**1,994**	6,063
– Deferred tax asset to be recovered within 12 months	**2,749**	1,242
	4,743	7,305

No deferred taxation was charged to equity during the year (2006: Nil).

29 DEFERRED TAXATION (Continued)

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Depreciation allowances		Provisions		Unrealized profit on inventories and derivative financial instruments		Fair value gain on investment properties		Tax loss		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**–**	1,133	**4,910**	10,009	**743**	1,573	**–**	–	**1,652**	2,852	**7,305**	15,567
(Charged)/credited to the income statement	**–**	(1,133)	**7,159**	(5,099)	**(7,154)**	(830)	**(915)**	–	**(1,652)**	(1,200)	**(2,562)**	(8,262)
At 31st December	**–**	–	**12,069**	4,910	**(6,411)**	743	**(915)**	–	**–**	1,652	**4,743**	7,305

As result of the new CIT Law and the grandfathering rules stipulated in the DIR and related circular, the carrying value of deferred tax assets has been written up by US$1,387,000 as at 31st December 2007.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The tax losses do not expire under current tax legislation.

There was no material unprovided deferred tax as at 31st December 2007 (2006: Nil).

30 PENSION OBLIGATIONS

The balance represented the Group's obligations in a defined benefit plan for its employees in Taiwan in accordance with the relevant local regulations.

The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31st December 2007 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

The amount recognized in the balance sheet is determined as follows:

	Group	
	2007	2006
	US$'000	US$'000
Present value of funded obligations	**6,923**	5,764
Fair value of plan assets	**(1,058)**	(1,264)
	5,865	4,500
Unrecognized actuarial losses	**(1,797)**	(860)
Liability in the balance sheet	**4,068**	3,640

30 PENSION OBLIGATIONS (Continued)

The amounts recognized in the income statement are as follows:

	2007 **US$'000**	2006 US$'000
Current service cost	**433**	421
Interest cost	**214**	195
Expected return on plan assets	**(34)**	(28)
Net actuarial losses recognized during the year	**25**	40
Total expense, included in employee benefit expense (Note 8)	**638**	628

The actual loss on plan assets was US$42,000 (2006: US$23,000).

Movements in the pension obligations are as follows:

	2007 **US$'000**	2006 US$'000
At 1st January	**5,764**	5,145
Current service cost	**433**	421
Interest cost	**214**	195
Benefit paid	**(443)**	–
Actuarial loss	**955**	3
At 31st December	**6,923**	5,764

Movements in the fair value of plan assets are as follows:

	2007 **US$'000**	2006 US$'000
At 1st January	**1,264**	1,002
Expected return on plan assets	**34**	28
Contributions	**211**	229
Benefit paid	**(443)**	–
Actuarial (loss)/gain	**(8)**	5
At 31st December	**1,058**	1,264

30 PENSION OBLIGATIONS (Continued)

The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate	**3.50%**	3.75%
Expected rate of return on plan assets	**2.75%**	2.75%
Expected rate of future salary increment	**3.00%**	3.00%

31 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2007	2006
	US$'000	US$'000
0 – 30 days	**501,250**	426,220
31 – 60 days	**566,025**	439,306
61 – 90 days	**196,251**	302,751
Over 90 days	**173,223**	161,677
	1,436,749	1,329,954

32 WARRANTY PROVISIONS

	Group	
	2007	2006
	US$'000	US$'000
At 1st January	**33,098**	34,245
Charged to the income statement (Note 7)	**77,571**	57,040
Utilized during the year	**(63,042)**	(58,187)
At 31st December	**47,627**	33,098

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period ranging from 12 months to 36 months. The provision as at 31st December 2007 had been made for expected warranty claims on the products sold during the last thirty-six months. It is expected that the majority of this provision will be utilized in the next financial year, and all will be utilized within three years of the balance sheet date.

33 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2007 US$'000	Group 2006 US$'000
Liabilities carried at fair value		
– Interest rate swaps	**12,223**	2,799
– Foreign exchange forward contracts	**3,825**	2,905
	16,048	5,704

(a) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31st December 2007 was US$294,300,000 (2006: US$140,000,000).

(b) Foreign exchange forward contracts

The total notional principal amounts of the outstanding foreign exchange forward contracts as at 31st December 2007 are as follows:

	Group 2007 US$'000	Group 2006 US$'000
Sell Euros for US dollars	**22,880**	7,862
Sell Japanese Yen for US dollars	**2,000**	1,000
Sell US dollars for Renminbi	**2,510,000**	1,737,000
Sell Renminbi for US dollars	**2,415,000**	1,752,000

(c) Foreign exchange options

The total notional principal amounts of the outstanding foreign exchange options as at 31st December 2007 are as follows:

	Group 2007 US$'000	Group 2006 US$'000
Sell Japanese Yen for US dollars	**20,000**	–

34 PLEDGE OF ASSETS

As at 31st December 2007 and 2006, all the banking facilities of the Group were unsecured and no assets were pledged as security for the Group's banking facilities.

35 CONVERTIBLE BONDS

The Company issued 3.35% convertible bonds in the principal amount of US$211 million to Koninklijke Philips Electronics N.V. ("Philips") on 5th September 2005 as part of the purchase consideration for a business combination.

The bonds mature five years from the issue date at their principal amount of US$211 million and can be converted into the Company's ordinary shares at the holder's option at a conversion price of HK$5.241 (US$0.672) per share.

The conversion price will be subject to adjustment for subdivision or consolidation of shares, bonus issues, rights issues, distribution of reserves, any dividend payment(s) in excess of the dividend payout ratio cap, capital reduction and other dilutive events.

The fair values of the liability component and the equity conversion component were determined at the time of the issuance of the bonds.

At the time of issuance, the fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The equity conversion component is included in shareholders' equity (Note 27).

The convertible bonds recognized in the balance sheet is calculated as follows:

	Group and Company	
	2007	2006
	US$'000	US$'000
Equity component	**58,271**	58,271
Liability component		
At 1st January	**199,857**	196,779
Interest expense (Note 9)	**10,229**	10,229
Interest paid	**(7,130)**	(7,151)
At 31st December (Note 28)	**202,956**	199,857

The fair value of the liability component of the convertible bonds as at 31st December 2007 amounted to US$183,063,000 (2006: US$188,082,000). The fair value was calculated using cash flows discounted at a rate based on the discount rate of 9.42% (2006: 6.78%).

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash used in operations

	2007 US$'000	2006 US$'000
Operating profit	**249,876**	208,261
Depreciation	**55,452**	44,932
Amortization of land use rights	**271**	250
Amortization of intangible assets	**53**	53
Loss on disposal of property, plant and equipment	**20**	602
Loss/(gain) on disposal of other financial assets at fair value through profit or loss	**18**	(24)
Share options granted to directors and employees	**253**	1,825
Unrealized loss on derivative financial instruments	**1,344**	3,599
Fair value gain of investment properties	**(3,662)**	–
Fair value loss on other financial assets at fair value through profit or loss	**137**	393
Gain on disposal of an available-for-sale financial asset	**(25)**	–
Impairment loss on available-for-sale financial assets	**1,147**	–
Dividend income from other financial assets at fair value through profit or loss	**(365)**	–
Operating profit before working capital changes	**304,519**	259,891
(Increase)/decrease in amount due from an associated company	**(7,262)**	11,680
(Increase)/decrease in trade receivables	**(368,411)**	111,228
Increase in deposits, prepayments and other receivables	**(195,586)**	(82,808)
Increase in inventories	**(79,495)**	(332,975)
Increase/(decrease) in trade payables	**106,795**	(36,885)
Increase/(decrease) in warranty provisions, other payables and accruals and pension obligations	**95,380**	(37,692)
Proceeds from disposal of other financial assets at fair value through profit or loss	**188**	459
Net cash used in operations	**(143,872)**	(107,102)

(b) Major non-cash transactions

During the year, trade and other receivables from Philips of US$24,960,000 were used to set-off against the purchase consideration to Philips for the acquisition of additional 20% interests in TPV Technology (Suzhou) Co., Ltd (formerly known as Philips Consumer Electronics Co. of Suzhou Ltd) as mentioned in Note 40.

Notes to the Financial Statements

37 CORPORATE GUARANTEES

	Group		Company	
	2007	2006	**2007**	2006
	US$'000	US$'000	**US$'000**	US$'000
Guarantees in respect of banking facilities granted to:				
– subsidiaries	**–**	–	**2,307,628**	1,649,474
– an associated company	**3,000**	7,000	**–**	–
	3,000	7,000	**2,307,628**	1,649,474

38 CONTINGENT LIABILITIES

(a) In April 2003, a third party company commenced legal action in the United States of America against the Company and one of its associated companies. This action claims damages related to alleged infringement of certain patents in respect of liquid crystal display technology ("Patent I").

It is alleged among other matters that:

(i) the Company incorporated certain LCD panels that infringed Patent I into computer products, such as monitors;

(ii) the associated company, as the Company's distributor, imported into and sold in the United States of America computer products that include such LCD panels, including monitors sold under the brand name AOC; and

(iii) the Company, its associated company and the supplier of the LCD panels were working in concert to import and sell in the United States of America infringing LCD panels (and/or products with infringing LCD panels incorporated therein).

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

38 CONTINGENT LIABILITIES (Continued)

(b) In February 2004, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and certain other third party companies.

The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the design and manufacture of LCD ("Patent II").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they had had infringed, actively induced and/or contributed to the infringement of Patent II by making, using, causing to be used, offering to sell, causing to be offered for sale, selling, causing to be sold, importing and/or causing to be imported LCDs and/or LCD products in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while proceedings were stayed according to the court's Memorandum Order on 13th May 2004, it is not probable to assess the future outcome of the litigation for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

(c) In April 2005, a third party company filed a first amended complaint in the United States of America against the Group, one of its associated companies and certain other third party companies.

The complaint concerned claims for damages related to alleged infringement of certain patents in respect of technology of the design and manufacture of LCD and related products ("Patent III").

As far as the Group and its associated company are concerned, it was alleged among other matters that:

(i) they had had infringed, contributory infringed and/or actively induced infringement; and were infringing, contributory infringing and/or actively inducing infringement of Patent III by making, using, causing to be used, offering to sell, causing to be offered for sale, selling, causing to be sold, importing and/or causing to be imported LCDs and/or LCD products in the United States of America; and

(ii) the infringement of Patent III had been and continued to be deliberate and wilful, making and entitling the plaintiff to increased damages which include attorneys' fee, costs and expenses that had been and would have been incurred by it for pursuing this action.

38 CONTINGENT LIABILITIES (Continued)

(c) The directors are of the opinion that while the proceedings were stayed to the extent the Group is concerned according to the Court's order granted on 17th November 2005, it is not probable to assess the future outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

(d) In September 2005, an individual plaintiff commenced legal action in the United States of America against one of the associated companies of the Group and other third party companies. This action claimed damages related to alleged infringement of certain patents in respect of ergonomically adjustable flat panel displays ("Patent IV").

As far as this associated company was concerned, it was alleged among other matters that:

(i) it had had made, used, offered for sale, imported and sold in the United States of America, and continued to make, use, offer for sale, import and sell in the United States of America flat panel displays which infringed Patent IV, induces others to infringe, and/or contributorily infringe Patent IV; and

(ii) the plaintiff had suffered damages as a result of the infringing activities, and would continue to suffer such damage as long as those infringing activities continue.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

(e) In January 2007, a third party company filed a complaint in the United States of America against the Group and one of its associated companies. The complaint claims damages related to alleged infringement of an US Patent in respect of technology to decode Program Map Information in the Digital TVs ("Patent V").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have directly infringed, contributed to and/or actively induced infringement of the Patent V and are continuing to directly infringe, contribute to and/or actively induce infringement by making, using, importing, offering for sale, soliciting sales by others of, enabling or assisting with sales by others of, and/or selling in the United States of America, including, without limitation, ATSC TVs under the AOC brand name, which are covered by one or more claims of the Patent V; and

(ii) as a consequence of their infringement complained of herein, the plaintiff had been damaged and will continue to sustain damages by such acts in an amount to be determined at trial and will continue to suffer irreparable loss and injury.

38 CONTINGENT LIABILITIES (Continued)

(e) The directors are of the opinion that while the proceedings were stayed to the extent the Group is concerned according to the Court's Stipulation and Order of 23rd October, 2007, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

(f) In November 2007, the U.S. International Trade Commission (ITC) instituted an investigation based on a complaint filed by a third party against the Group and one of its associated companies. The claims of the complaint related to alleged infringement of an US Patent in respect of technology to decode Program Map Information in the Digital TVs ("Patent V").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) their unfair acts include the unlicensed importation, sale for importation and/or sale after importation of digital televisions and products containing the same in the United States of America. The accused televisions employ patented technology related to Patent V and;

(ii) the complainant requested for issuance of limited exclusion order prohibiting the entry into the United States of America for all of respondents' imported televisions and products containing digital television covered by Patent V; and cease and desist order stopping importing, offering for sale, marketing, advertising, demonstrating, warehousing, distributing, selling and/or using such imported products of respondents in the United States of America.

The directors are of the opinion that while the investigation is ongoing, it is not probable to assess the outcome of the investigation for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future solution may not have any material financial impact on the Group as a whole.

(g) In January 2008, two third party companies filed a complaint in the United States of America against the Group and certain other third party companies under the antitrust laws.

The complaint concerned claims related to conspiracy to fix, raise, maintain and stabilize the price of CRT and products containing CRTs.

As far as the Group is concerned, it was alleged among other matters that:

(i) the defendants' unlawful combination or conspiracy alleged in this complaint shall be adjudged and decreed to be a restraint of trade or commerce; and

(ii) the plaintiffs are entitled to recover damages, as provided by federal antitrust laws, and that a joint and several judgment in favor for plaintiffs in an amount to be trebled in accordance with such laws.

38 CONTINGENT LIABILITIES (Continued)

(g) The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

39 COMMITMENTS

(a) Capital commitments

	Group	
	2007	2006
	US$'000	US$'000
Capital commitments for plant and equipment		
– Contracted but not provided for	**44,125**	13,735
Commitment for acquisition of additional interest in a non-wholly owned subsidiary		
– Contracted but not provided for	**–**	17,000

As at 31st December 2007, the Company did not have any significant capital commitment (2006: Nil).

(b) Commitments under operating leases

As at 31st December 2007, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2007	2006
	US$'000	US$'000
Not later than one year	**2,446**	2,836
Later than one year and not later than five years	**3,702**	1,732
Later than five years	**707**	701
	6,855	5,269

At 31st December 2007, the Company did not have any significant commitment under operating leases (2006: Nil).

39 COMMITMENTS (Continued)

(c) Future operating lease receivable arrangements

As at 31st December 2007, the Group's future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2007	2006
	US$'000	US$'000
Not later than one year	**957**	918
Later than one year and not later than five years	**55**	809
	1,012	1,727

As at 31st December 2007, the Company did not have any significant future operating lease receivable arrangements (2006: Nil).

40 TRANSACTION WITH A MINORITY SHAREHOLDER

On 15th June 2007, P-Harmony Monitors Company Limited, a subsidiary of the Company, acquired an additional 20% interests in TPV Technology (Suzhou) Co., Ltd. (formerly known as Philips Consumer Electronics Co. of Suzhou Ltd) from its minority shareholder, Philips (China) Investment Co., Limited. The excess of the consideration paid over the Company's share of the net assets acquired, amounting to approximately US$9,423,000, was debited to other reserves.

41 RELATED PARTY TRANSACTIONS

(a) On 24th December 2007, China Great Wall Computer Shenzhen Company Limited ("CGC") completed its acquisition of 200,000,000 ordinary shares of the Company from BOE Technology Group Co., Ltd. ("BOE"). As at 31st December 2007, the major shareholders of the Company are Philips and CGC, which owned 13.40% and 10.18% of the Company's issued shares respectively.

(b) During the year, the Group had the following significant transactions with its associated companies, Envision Peripherals, Inc., CPT TPV Optical (Fujian) Co., Ltd, and HannStar Display (Wuhan) Corp. and its substantial shareholders, BOE and Philips, which were carried out in the normal course of the Group's business:

	Note	**2007 US$'000**	2006 US$'000
Sales of finished goods to an associated company	(i)	**135,434**	98,236
Sales of finished goods to Philips and its subsidiaries	(i)	**1,741,139**	1,731,909
Purchases of raw materials from BOE and its subsidiaries	(ii)	**(108,049)**	(144,725)
Purchases of raw materials from Philips and its subsidiaries	(ii)	**(881,903)**	(728,693)
IT service fee paid to Philips and its subsidiaries	(iii)	**–**	(2,708)
Commission paid to Philips and its subsidiaries	(iii)	**(64)**	(651)
Commission paid to an associated company	(iii)	**(998)**	(160)
Rental income from associated companies	(iv)	**828**	768

Notes:

(i) Sales of finished goods were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(ii) Purchases of raw materials were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(iii) IT service fee and commission paid were charged at terms as agreed between the transacting parties.

(iv) Rental income received was charged at terms as agreed between the transacting parties.

(c) Key management compensation

	2007 US$'000	2006 US$'000
Salaries and other short-term employee benefits	**2,191**	1,508
Share-based payments	**61**	300
	2,252	1,808

41 RELATED PARTY TRANSACTIONS (Continued)

(d) Year-end balances

	2007 US$'000	2006 US$'000
Receivable from an associated company (Note 23)		
– Envision Peripherals, Inc.	**30,660**	23,398
Receivables from a substantial shareholder and its subsidiaries (Note (i))		
– Philips and its subsidiaries	**369,074**	311,286
Payables to substantial shareholders and their subsidiaries (Note (ii))		
– BOE and its subsidiaries	**–**	32,122
– Philips and its subsidiaries	**125,395**	104,189
	125,395	136,311

Notes:

(i) Receivables from a substantial shareholder and its subsidiaries of US$352,862,000 (2006: US$289,344,000) and US$16,212,000 (2006: US$21,942,000) were presented in the consolidated balance sheet within trade receivables and deposits, prepayments and other receivables respectively.

(ii) Payables to substantial shareholders and their subsidiaries were presented in the consolidated balance sheet within trade payables.

42 EVENTS AFTER THE BALANCE SHEET DATE

On 4th January 2008, a fire broke out in part of the Group's production plants in Manaus, Brazil. Certain of the Group's inventories and equipment were damaged. As the Group has insurance policy in place to cover the loss on inventories and properties, the directors estimated that the loss will be less than US$5 million after taking into account the insurance claims payment.

43 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 9th April 2008.

Five Year Financial Summary

	2007	2006	2005	As restated 2004	As restated 2003
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Profit attributable to equity holders	**180,044**	151,760	149,583	103,592	69,398
Assets and liabilities					
Total assets	**3,788,521**	3,060,856	3,054,224	1,484,825	1,127,619
Total liabilities	**(2,548,080)**	(1,949,483)	(2,188,659)	(1,077,335)	(819,025)
Net assets	**1,240,441**	1,111,373	865,565	407,490	308,594

Note:

Comparative figures for the two years ended 31st December 2004 and 2003 have been restated to reflect the adoption of HKFRS.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of TPV Technology Limited (the "Company") will be held at Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Thursday, 22nd May 2008 at 10:00 a.m. for the following purposes:

As ordinary business:

1. To receive and consider the audited accounts and the reports of the directors and of the auditor for the year ended 31st December 2007.

2. To approve the payment of a final dividend.

3. To re-elect retiring directors and to authorize the board of directors to fix the remuneration of directors.

4. To re-appoint PricewaterhouseCoopers as auditor of the Company and to authorize the board of directors to fix the remuneration of auditor.

As special business:

5. Repurchase Mandate

   As regards a general and unconditional mandate to the board of directors to repurchase the Company's own shares (the "Repurchase Mandate"), to consider and, if thought fit, to pass, with or without amendments, the following resolution as Ordinary Resolution No. I:

   "THAT

   (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its issued shares of US$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Singapore Exchange Securities Trading Limited (the "Singapore Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange, the Listing Manual of the Singapore Exchange or rules of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of the shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

   (c) for the purpose of this Resolution:

   "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

   (i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

6. Securities Issue Mandate

As regards a general and unconditional mandate to the board of directors to allot shares (the "Securities Issue Mandate"), to consider and, if thought fit, to pass, with or without amendments, the following resolution as Ordinary Resolution No. II:

"THAT

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of US$0.01 each in the capital of the Company or securities convertible into such shares or options, warrants or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) any issue of shares in the Company under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company; (iii) any issue of shares in the Company as scrip dividend or any similar arrangement providing for the allotment of shares in the Company in lieu of the whole or part of a dividend pursuant to the Bye-laws of the Company from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, shall not in aggregate exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

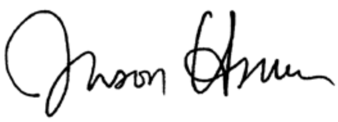
"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body in Bermuda, Hong Kong and Singapore)."

7. Extension of the Securities Issue Mandate

As regards the extension of shares repurchased under the Repurchase Mandate, to consider and, if thought fit, to pass, with or without amendments, the following resolution as Ordinary Resolution No. III:

"THAT subject to the passing of Ordinary Resolutions Nos. I and II, the general mandate granted to the directors of the Company to allot, issue and deal with additional securities in the capital of the Company pursuant to Ordinary Resolution No. II be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the shares repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. I, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

On behalf of the Board



Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 9th April 2008

Principal place of business in Hong Kong:
Room 2108, 21st Floor, Harcourt House
39 Gloucester Road,
Wanchai,
Hong Kong

Notice of Annual General Meeting

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meetings of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited, by a shareholder whose name appearing on the record of shareholders keeping at Boardroom Corporate & Advisory Services Pte. Ltd. on 5th May 2008, at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, or at the Company's principal place of business in Hong Kong at Room 2108, 21st Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be).

3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited, by a shareholder whose name appearing on the register of members keeping at Computershare Hong Kong Investor Services Limited on 5th May 2008, at the Company's principal place of business in Hong Kong at Room 2108, 21st Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be).

4. The registers of members and record of members of the Company will be closed from Monday, 5th May 2008 to Wednesday, 7th May 2008, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Hopewell Centre, 46th Floor, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 2nd May 2008 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street, #08-01 Samsung Hub, Singapore 049483, not later than 5:00 p.m. on Friday, 2nd May 2008 (as the case may be).

www.tpvtechnology.com

TPV TECHNOLOGY LIMITED

STOCK CODE : 903 / 股份編號 : 903

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