TPV TECHNOLOGY LIMITED
冠 捷 科 技 有 限 公 司
(Incorporated in Bermuda with limited liability)

Annual Report 2008

The BIG Picture

presented by

TPV

CONTENTS

Taking BIG strides

CORPORATE INFORMATION

DIRECTORS

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

Non-executive Directors
Mr Chen Yen-Sung, Eddie
Mr Lu Ming
Mr Maarten Jan de Vries
Mr Robert Theodoor Smits

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

Suite 1023
Ocean Centre, Harbour City
Kowloon, 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
White & Case

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPANY SECRETARY

Ms Lee Wa Ying, Phyllis

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

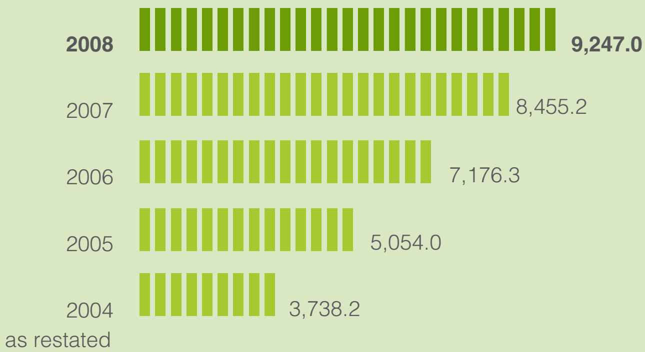
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17/F, Hopewell Centre
183, Queen's Road East,
Hong Kong

SINGAPORE SHARE TRANSFER OFFICE

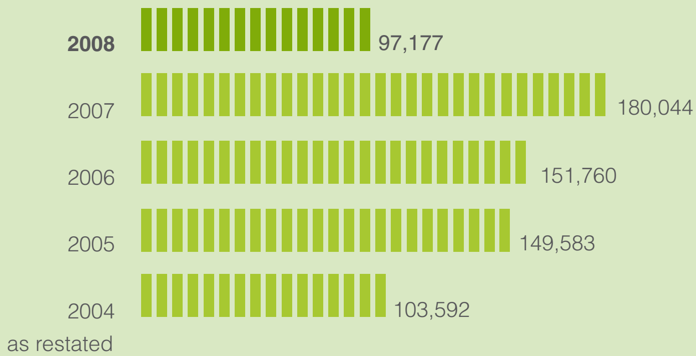
Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Financial Highlights

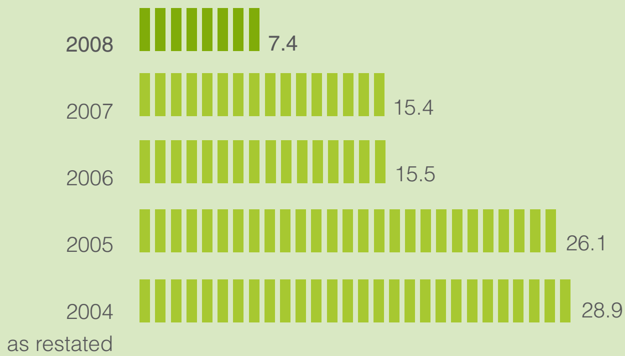
Consolidated revenue (US$ million)



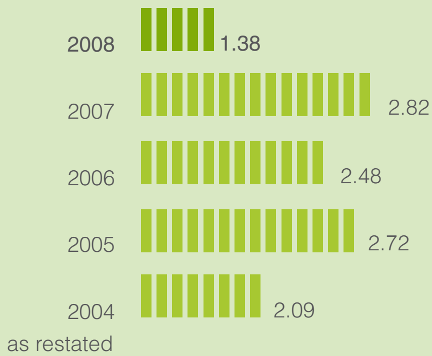
Profit attributable to equity holders of the Company (US$ thousand)



Return on equity (%)



Dividends per share (US cents)



Operating Results (US$'000)	2008	2007	2006	2005	2004 as restated
Consolidated revenue	**9,247,020**	8,445,151	7,176,294	5,053,953	3,738,182
Profit attributable to equity holders	**97,177**	180,044	151,760	149,583	103,592
Basic earnings per share (US cents)	**4.74**	9.21	7.98	9.90	7.48
Dividends per share (US cents)	**1.38**	2.82	2.48	2.72	2.09

Financial Position (US$'000)	2008	2007	2006	2005	2004 as restated
Total assets	**3,353,653**	3,836,629	3,060,856	3,054,224	1,484,825
Cash and cash equivalents	**171,066**	135,061	96,025	414,885	321,456
Total borrowings	**603,255**	788,145	416,147	578,159	205,450
Equity attributable to the Company's equity holders	**1,375,624**	1,240,318	1,099,065	855,856	407,478

Key Financial Ratios	2008	2007	2006	2005	2004 as restated
Inventory turnover (days)	**36.6**	48.0	45.7	32.6	38.0
Trade receivables turnover (days)	**57.0**	57.9	62.3	53.2	51.0
Trade payables turnover (days)	**49.0**	62.6	72.4	63.4	70.5
Return on equity (%)	**7.4**	15.4	15.5	26.1	28.9
Return on assets (%)	**2.7**	5.2	5.0	7.3	7.9
Current ratio (%)	**145.1**	135.6	141.6	131.9	144.0
Gearing ratio (%)	**18.0**	20.5	13.6	18.9	13.8
Interest coverage (times)	**3.0**	5.5	3.9	8.2	12.2
Dividend payout ratio (%)	**30.0**	30.7	31.8	33.7	28.3

A BIG vision

Dear Shareholders,

Since inception, TPV has undergone many economic and industry turbulences, none of which have been as fierce and damaging as the current financial crisis where the eye of the storm is enveloping big and small financial institutions around the world with far-reaching consequences. I am acutely aware that I am writing to you at a time of crisis the like of which most of us have not seen in our lifetime. However, I assure you that we shall turn the current economic downdraft into an opportunity for us to improve our cost structure, increase our production efficiency and strengthen our design capability. These initiatives will help TPV emerge as a leaner and meaner company when stability returns to the economy.

For the year under review, the entire LCD universe was hit hard by the negative macro-economic development. With businesses cutting IT budget and consumer discretionary spending getting adversely affected by the depressing housing and job markets, global PC monitor demand had weakened substantially in the second half of the year. Similarly, LCD TV demand, albeit meeting demand forecast in unit terms, was trailing in total glass area as consumers shied away from the pricey 40-inch and over TV sets while continuing to spend on smaller sets for their kitchens, bedrooms and studies.

In this challenging environment, TPV still managed to grow our consolidated revenue by 9.4 percent to US$9.2 billion by going full-throttle to capture market shares in both PC monitor and LCD TV business segments. For the year, the Group shipped a total of 54.2 million units of display products, achieving a 14.8 percent increase from a year ago. PC monitor shipment grew 10.8 percent to 47.7 million units and kept the Group at the helm with a market share of 27.1 percent. As for the LCD TV business segment, volume surged 67.7 percent to

6.0 million units, making TPV the fifth largest LCD TV maker and the only original design manufacturer among the top five TV brands. Unfortunately, the impressive revenue drive was overshadowed by the higher overhead expenses and a foreign exchange translation loss of US$64.6 million from our Brazilian operation. Consequently, profit attributable to equity holders fell 46.0 percent to US$97.2 million (2007: US$180.0 million), equivalent to a basic earnings per share of US4.74 cents (2007: US9.21 cents).

As TPV navigates through the economic downturn, the management has identified and mapped out plans in four functional areas to streamline operations and trim costs.

Backward integration: Through our joint ventures with upstream LCD panel suppliers, TPV has acquired the know-how to assemble LCD modules in-house. Last year, the Group processed 13.4 million units of LCD modules, fulfilling 25.0 percent of the Group's total module requirement. This year, we aim to make good use of this added-on capability to supply 28.0 percent of our total needs. Furthermore, our backlight division has expanded its capacity to handle 15.5 percent of the Group's backlight requirement this year versus last year's 8.2 percent.

Research and Development: Our monitor development team was given the task to adopt more generic circuitry and board design in new models. Generic circuitry helps reduce the number of component suppliers, bring down wastage and minimize obsolescence. It also enhances product reliability and the yield rates of toolings and moulds required for our vast number of models designed for an extended list of customers. Generic design also shortens the lag between product development and market launch of products.

Industrial plan: Our manufacturing footprint is being reviewed regularly to make sure it is in line with the market dynamics. In view of the decelerating demand growth, the Group has resolved to take a conservative approach in capacity planning. As a result, Ningbo plant is scheduled to be shut down in the first quarter of 2009 with the aim of lifting the overall loadings.

Reduction in overhead expenses: In the latter half of 2007, the Group was restructured into two business units (BUs) - PC monitor and LCD TV. The original idea behind this move was to better manage resource allocation and enable the unit management to make timely decision in a fast changing environment. Yet this new organization structure brought with it higher fixed overheads and the BUs were given the task to re-align its cost structure with its revenue stream.

Looking ahead, I believe 'technological convergence' and other structural changes happening in the PC and display industries now will vastly favor system integrators like TPV. Over the last decade, the LCD industry has evolved through rapid innovation, scaling up and cost cutting, enabling the commercialization of LCD products. I believe that the industry is at an inflection point at which the growth of applications like netbook, e-book, various PDA and hand-held mobile devices will take-off exponentially because of increasingly affordable prices. This 'technological convergence' will offer significant new revenue streams for panel makers, system integrators, equipment vendors and application developers in many years to come.

At the same time, convergence also brings with it new challenges, especially for system integrators, both in diversifying into new product areas and sales strategies to capitalize on the emerging opportunities. To adapt successfully into this evolving technological landscape, it is imperative for TPV to improve our business model in different areas, such as supply chain. The Group's manufacturing footprint spreading across three continents has enabled TPV to save on import tariffs and avoid trade barriers that we face. However, the long supply chain poses serious logistic challenges in inventory management and control in a volatile product segment.

While economic activities have fallen across all major markets, China has been holding up better than others. The Chinese government has taken a series of measures to prevent the economy from hard-landing and is determined to sustain growth by stimulating domestic demand. The latest subsidy scheme for the population in the rural areas, a relatively untapped mass market, to purchase consumer products presents a significant opportunity to TPV. It is estimated that the scheme will trigger a 5 to 10 percent growth in LCD TV demand, translating into a sale of 1-2 million units. The low penetration rate of PC and Internet in Chinese rural areas also indicates the vast potential for growth in this market. I believe

I believe that the industry is at an inflection point at which demand will take-off exponentially because of increasingly affordable prices. 'Technological convergence' will offer significant new revenue streams for panel makers, system integrators, equipment vendors and application developers in many years to come.

TPV, with a strong brand presence, distribution newtwork and backed by years of experience in the Chinese market, is well-positioned to take advantage of the stimulus program.

In February 2009, the Group has entered into an agreement with Koninklijke Philips Electronics N.V. ("Philips") for an exclusive license to use the Philips' trademarks to distribute monitor products globally over the five years' license period. The agreement will allow TPV to extend its reach to the end market with a reputable brand and an established market presence.

Although we have no control over the macro environment, we are in full control of our business. I believe the real winners of this crisis will be the ones who have clear vision, sound strategy and execution abilities to realize the vision and strong alignment of organizational resources. It will be my task in the coming year to steer the Group in this direction.

Appreciation

Mr Lu Being Chang and Mr Chang Yueh, David resigned as our executive and non-executive director during 2008 respectively. Dr Kuo Chen-Lung also resigns as our non-executive director today. I take this opportunity to thank them for their valuable contribution to the Group during their tenure. I would also like to extend my welcome to Mr Robert Theodoor Smits and Mr Chen Yen-Sung, Eddie to the Board.

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

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 31st March 2009

Pursuing BIG goals

Management Discussion & Analysis

Industry Review

The ongoing financial turbulence has inevitably led to a slowdown across the board in consumer and corporate spending, lowering the growth rate of the world economy from 3.7 percent to 2.5 percent in 2008.

On a yearly basis, global LCD monitor shipment recorded a 2.8 percent increase in 2008 to 167.0 million units. However, most of the growth was achieved in the first half of the year. Demand for LCD monitors withered in tandem with the economy in the latter half of 2008. In fact, it was the first time in history that the LCD monitor shipment in the second half of a year declined on a year-on-year basis. It was also one of the rare instances that second half shipment was lower than that of the first half and fourth quarter shipment lowered than that of the third quarter. In this tough operating environment, the PC monitor sector saw further consolidation on the supply side. The top five manufacturers at the end of 2008 commanded in aggregate 73.8 percent of the market versus 68.3 percent a year ago.

Global LCD TV shipment, on the other hand, amounted to 105.0 million units as compared with 79.0 million units recorded in the previous year, in spite of the recessionary economy. A few trends were discernible. Firstly, the competitive landscape had become more consolidated with the top three brands commanding an aggregate 41.8 percent share of the market, up from 38.9 percent a year ago. Secondly, the average size of LCD TV sold, contrary to the popular perception, grew only gently, indicating that consumers were extremely price sensitive in their purchases. Thirdly, first-tier TV brands were increasingly receptive to the idea of outsourcing, particularly for their commoditized product segmental requirements, due to price pressure. It is estimated that outsourcing will account for 30 percent of the total supply of LCD TV in 2009 compared to 20 to 25 percent in 2008. Furthermore, the digitalization of broadcasting signal in the US starting this year and the ban of the Plasma TV in Europe later on would provide fresh impetus to the demand.

On the price front, the dismal demand for LCD products in the latter half of 2008 had driven down prices of LCD panels to below cash costs, at which levels LCD panel makers were forced to shut down capacities in order to minimize losses. It is a well-known fact that some of the LCD panel makers were loading at no more than 50 percent of their capacities at the beginning of this year. Since then, demand has improved as distributors and retailers began to replenish stocks in view of the low level of inventory in the pipeline. As a result, prices of LCD panels inched up gradually in the first quarter of 2009.

As panel prices are still hovering around their cash costs and there is limited headroom in the near term, TPV is of the view that 2009 would turn out to be one of the most stable years for the LCD industry as far as price is concerned.

Business Review

TPV shipped a total of 54.2 million units of displays in 2008, posting a 14.8 percent year-on-year growth. PC monitor business segment shipped 47.7 million units (2007: 43.1 million units) of products and contributed 75.8 percent (2007: 78.9 percent) of the Group's consolidated revenue. LCD TV business segment saw its shipment surged 67.7 percent to 6.0 million units (2007: 3.6 million units) and now contributed 21.3 percent (2007: 18.1 percent) of the consolidated revenue.

In terms of geographical market segment, because of the growing volume of LCD TV shipped for its customers to that market, North America has once again become the largest end market of the Group. Revenue generated there of US$2.5 billion (2007: US$2.3 billion) accounted for 27.4 percent of the Group's consolidated revenue in 2008, up from 26.9 percent in the proceeding year. Both PRC and Europe trailed closely behind, matching stride for stride in terms of sales growth, delivering 25.8 percent (2007: 27.5 percent) and 24.5 percent (2007: 23.2 percent) respectively of the consolidated revenue. The Group's presence in the emerging markets continued to grow. In 2008, sales booked outside of the top three markets amounted to US$2.1 billion (2007: US$1.9 billion) and represented 22.3 percent (2007: 22.4 percent) of the Group's consolidated revenue. As the penetration rate for LCD products in the developed world gradually saturates, markets like Brazil, India and Russia will continue to grow providing TPV with good business potentiality, especially for its branded business.

The drop in average selling prices ("ASPs") for both PC monitor and LCD TV, in tandem with the LCD panel prices, was alleviated by the size migration to larger screen size products. For 2008, ASPs were US$146.9 (2007: US$155.0) and US$327.4 (2007: US$427.1) respectively for PC monitor and LCD TV. As economy faltered and product demand dwindled during the traditional peak season last year, the Group met increasing price competition and reacted promptly by cutting prices to clear excess inventory. As a result, the Group booked its lowest ever gross profit margin of 3.4 percent in fourth quarter 2008, substantially below that of the 4.5 percent, 4.6 percent and 5.9 percent respectively recorded in the first three quarters of the year. The higher overhead expenses which were brought about by the expanded operation

together with the heavy translation losses incurred in a volatile currency market weighed on the net margin which finished the year at 1.1 percent, halved the 2.2 percent booked a year ago.

The Group entered into an agreement with Philips in February 2009 for an exclusive license to use the Philips trademark to produce and sell monitors worldwide for a term of five years. Pursuant to the agreement, TPV will be responsible for the overall supply chain management from sourcing to sales and marketing to after sales service. The transaction is expected to be completed in the second quarter of 2009. The agreement represents a big leap forward for TPV to extend its reach to the end market with an established brand. The bigger scale, shared overheads and comprehensive distribution network will enable TPV to achieve greater efficiency and to stay ahead of competition.

The Group had withdrawn from the digital photo frame business segment due to changes in consumer discretionary spending pattern and had written off the small original investment on manufacturing and ancillary equipment.

As part of its efforts to streamline the operation, TPV has taken steps to right-size its workforce, resulting in a headcount reduction of 3,468 direct and indirect workers. Moreover, some of the R&D positions will be systematically re-deployed from Taiwan to China to save on cost. As a result of this restructuring, there was a one-time charge of US$2.8 million to the 2008 consolidated income statement.

Research and Development ("R&D")

During the year, the Group launched 671 new models for monitors and 323 new models for TVs. A total of 2,049 engineers in R&D were hired to maintain the pace of innovation and product development.

The Group has adopted a two-pronged design strategy, aimed at both reductions in costs as well as simplification of manufacturing process. The new design circuitry reduces, on average, 6 to 7 percent parts count for PC monitor and 8 to 9 percent parts count for LCD TV while enhancing the stability of HDMI and USB functions as compared to two years ago. At the same time, the simplified new design circuitry streamlines production process and reduces failure rate.

In the PC monitor business segment, the Group plans to enrich its product portfolio, offering screen sizes up to 46-inch with additional functions such as TV tuner and packaged in ultra-slim shape. In a year's time, its product line-up will be lengthened up to 65-inch with new functions like touch-screen, USB ports and wireless transmission.

As for LCD TV, in 2009-10, the Group will expand the product line to offer screen sizes up to 55-inch and products accepting all broadcasting systems across the continents. Meanwhile, its R&D team will focus on enhancing the response rate of products in order to achieve better picture quality and introduce some environmental friendly models that will save on energy.

Production

The Group's Poland factory commenced trial production in the second quarter of 2008 and mass production in the third quarter with satisfactory results. Last year, the Group shipped 1.5 million units of display products from this site and this year, it has a target shipment of 4.1 million units. The Group will spend another US$20 million on equipment and automation to further enhance the efficiency at the plant.

As part of the redeployment plan, the Group's Ningbo plant has ceased production in the first quarter of 2009, incurring a one-time charge of US$2.6 million.

As at 31st December 2008, the Group had annual production capacities of 69.5 million units and 12.2 million units for PC monitor and LCD TV respectively.

Liquidity, Financial Resources and Capital Structure

The Group continued to finance it operations from internal cash flows and banking facilities. As at 31st December 2008, the Group's cash and cash equivalents was at US$171.1 million (2007: US$135.1 million). In 2008, the Group's available and undrawn bank loan and trade finance facilities was US$2.8 billion (2007: US$2.5 billion).

In view of the tight credit market, the Group had used part of its internally generated operating cash flows to pay down debts to protect itself from a credit squeeze. All outstanding bank debts were borrowed on floating-rate basis. The maturity profile of outstanding bank debts as at 31st December 2008 are as follows:

Duration	**2008** US$'000	2007 US$'000
Within one year	397,240	540,189
In the second year	-	45,000

In line with the Group's policy to curtail capacity expansion, total capex spending for 2009 was cut back from 2008's US$162.2 million to between US$70 and 100 million.

Compared to 2007, the Group's inventory turnover improved by 11.4 days to 36.6 days while trade receivables turnover shortened from 57.9 days to 57.0 days. Trade payables turnover was 49.0 days while it was 62.6 days for the year ended 31st December 2007.

The Group's gearing ratio, representing the ratio of total bank debts to total assets, was at 18.0 percent as compared to 20.5 percent in 2007. Current ratio was 145.1 percent versus 135.6 percent last year.

Workforce

As at 31st December 2008, the Group employed around 28,500 (2007: 27,320) people worldwide. The remuneration terms of these employees were consistent with industry practice in the respective locations where the Group operates.

The Group has 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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and Brazilian real. 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 against Renminbi by using foreign exchange forward contracts. In view of the volatile financial market, the Group has set out strict guidelines, against any speculative trades in derivative products.

As at 31st December 2008, the Group had the following outstanding foreign exchange forward contracts in order to mitigate the Group's exposure in foreign currencies from its operations:

	2008 US$'000	2007 US$'000
Sell Renminbi for US dollars	4,045,500	2,510,000
Sell US dollars for Renminbi	4,268,000	2,415,000
Sell Euros for US dollars	24,753	22,880
Sell Japanese Yen for US dollars	19,550	2,000
Sell US dollars for Euros	7,550	-
Sell US dollars for Japanese Yen	2,000	-

Report of the Directors

The directors submit their annual report together with the audited consolidated financial statements for the year ended 31st December 2008.

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 consolidated 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 consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 39.

The directors had declared an interim dividend of US0.88 cent per ordinary share, totalling approximately US$18,581,000 which was paid on 29th October 2008.

The directors recommend the payment of a final dividend of US0.50 cent per ordinary share, totalling approximately US$10,556,000 in respect of the year ended 31st December 2008.

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 Wednesday, 20th May 2009.

The dividend cheques will be distributed to shareholders on or about Thursday, 4th June 2009.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 26 to the consolidated 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 consolidated financial statements.

INVESTMENT PROPERTIES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$697,000.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 25 to the consolidated 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.

SHARE OPTION (Continued)

(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).

(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 2008, no share options have been granted or cancelled.

SHARE OPTION (Continued)

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31st December 2008 and options exercised and lapsed during the year were as follows:

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 01/01/2008	Exercised	Lapsed	As at 31/12/2008
Directors							
Dr Hsuan, Jason	20/05/2004	4.735 (Note 2)	08/06/2007– 19/05/2009	1,500,000	0	0	1,500,000
Mr Houng Yu-Te	03/11/2003	4.140 (Note 1)	08/06/2004– 02/11/2008	82,000	0	(82,000)	0
			08/06/2005– 02/11/2008	840,000	0	(840,000)	0
			08/06/2006– 02/11/2008	1,400,000	0	(1,400,000)	0
	20/05/2004	4.735 (Note 2)	08/06/2005– 19/05/2009	600,000	0	0	600,000
			08/06/2006– 19/05/2009	900,000	0	0	900,000
			08/06/2007– 19/05/2009	1,500,000	0	0	1,500,000
Mr Chan Boon-Teong	12/12/2007	5.750 (Note 3)	12/12/2008– 11/12/2012	80,000	0	0	80,000
			12/12/2009– 11/12/2012	120,000	0	0	120,000
			12/12/2010– 11/12/2012	200,000	0	0	200,000
Dr Ku Chia-Tai	12/12/2007	5.750 (Note 3)	12/12/2008– 11/12/2012	60,000	0	0	60,000
			12/12/2009– 11/12/2012	90,000	0	0	90,000
			12/12/2010– 11/12/2012	150,000	0	0	150,000
Mr Wong Chi Keung	12/12/2007	5.750 (Note 3)	12/12/2008– 11/12/2012	60,000	0	0	60,000
			12/12/2009– 11/12/2012	90,000	0	0	90,000
			12/12/2010– 11/12/2012	150,000	0	0	150,000

SHARE OPTION (Continued)

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 01/01/2008	Exercised	Lapsed	As at 31/12/2008
Directors							
Mr Lu, Being-Chang (Resigned on 11th June 2008)	03/11/2003	4.140 (Note 1)	08/06/2006–02/11/2008	910,000	0	(910,000)	0
	20/05/2004	4.735 (Note 2)	08/06/2005–19/05/2009	600,000	0	0	600,000
			08/06/2006–19/05/2009	900,000	0	0	900,000
			08/06/2007–19/05/2009	1,500,000	0	0	1,500,000
Employees	03/11/2003	4.140 (Note 1)	08/06/2004–02/11/2008	1,383,000	0	(1,383,000)	0
			08/06/2005–02/11/2008	2,130,000	0	(2,130,000)	0
			08/06/2006–02/11/2008	6,930,000	0	(6,930,000)	0
	20/05/2004	4.735 (Note 2)	08/06/2005–19/05/2009	4,482,800	0	(134,000)	4,348,800
			08/06/2006–19/05/2009	14,245,429	(145,000)	(341,429)	13,759,000
			08/06/2007–19/05/2009	38,503,000	(599,000)	(1,116,000)	36,788,000
	12/12/2007	5.750 (Note 3)	12/12/2008–11/12/2012	4,296,805	0	(56,000)	4,240,805
			12/12/2009–11/12/2012	6,445,208	0	(84,000)	6,361,208
			12/12/2010–11/12/2012	10,742,013	0	(140,000)	10,602,013
				100,890,255	(744,000)	(15,546,429)	84,599,826

Notes:

(1) 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. The exercisable period of these options expired on 2nd November 2008.

(2) 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.

(3) 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.

SHARE OPTION (Continued)

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$4.735	744,000	HK$5.264

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2008, including contributed surplus, amounted to approximately US$94,444,000.

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 121.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year, the Company repurchased a total of 4,720,000 of its ordinary shares of US$0.01 each through The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.890 (US$0.11) to HK$4.300 (US$0.55) per share, for a total consideration of HK$13,190,000 (US$1,691,000).

Apart from the above, 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.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Dr Hsuan, Jason	
Mr Houng Yu-Te	
Mr Lu Being-Chang	(resigned on 11th June 2008)

Non-executive Directors

Mr Maarten Jan de Vries	
Mr Robert Theodoor Smits	(appointed on 9th December 2008)
Mr Lu Ming	
Mr Chen Yen-Sung, Eddie	(appointed on 31st March 2009)
Mr Chang Yueh, David	(resigned on 9th December 2008)
Dr Kuo Chen-Lung	(appointed on 11th June 2008 and resigned on 31st March 2009)

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, Mr Houng Yu-Te, Mr Maarten Jan de Vries and Mr Wong Chi Keung 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 Robert Theodoor Smits and Mr Chen Yen-Sung, Eddie 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr Hsuan, Jason

Aged 65, 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 62, 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.

Non-executive Directors

Mr Maarten Jan de Vries

Aged 47, 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, Chief Information Officer and Global Head of Purchasing 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 23 years of experience in finance, accounting and management. Mr de Vries was appointed as a non-executive director of the Company in October 2005.

Mr Robert Theodoor Smits

Aged 57, was appointed to the position of Business Unit Leader – Television of Philips Consumer Lifestyle B.V. ("Philips Consumer") on 1st April 2008. Mr Smits graduated with a degree in Business Economics at the University of Amsterdam. He was previously leader of Business Unit – Shaving and Beauty of Philips Consumer since 2004. Over the course of the past three years, Mr Smits has driven a new innovation wave throughout Shaving & Beauty, delivering double digit performance results. Since Mr Smits joined Philips Consumer's Major Domestic Appliances Division in 1977, he has worked for Philips Consumer around the world and has over 31 years of experience in international sales, marketing and general management. Mr Smits was appointed as a non-executive director of the Company in December 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-executive Directors (Continued)

Mr Lu Ming

Aged 59, 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 China Great Wall Computer Group Corporation ("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 Company Limited, Director and President of Great Wall Group, Director of Shenzhen Kaifa Technology Co., Ltd., Chairman of Great Wall Technology Co., Ltd.. Mr Lu has over 26 years of experience in technology and information field. Mr Lu was appointed as a non-executive director of the Company in December 2007.

Mr Chen Yen-Sung, Eddie

Aged 43, graduated from National Taiwan University with a major in Economics, and received his degree in master in business administration from the Wharton School of the University of Pennsylvania in 1995. Mr Chen is currently Associate Vice President of Administration of Chi Mei Optoelectronics Corporation ("CMO") and is also responsible for CMO's Small-and-Medium Business Unit, he is leading the development of the administration, finance and Small-and-Medium Business Unit of CMO. Since joining CMO in 2001, Mr Chen has held various positions, including Finance Manager, Finance Director, as well as Executive Vice President of Chi Hsin Electronics, one of CMO's subsidiaries. Mr Chen has successfully planned and executed several fund-raising and financial projects of diverse natures, ensuring the necessary financial resources that fueled CMO's high growth and expansion over the past few years. From 1998 to 2001, Mr Chen served as Finance Manager with Taiwan Semiconductor Manufacturing Company. Mr Chen is also experienced in professional finance sector. Prior to his corporate experience, Mr Chen worked for more than 6 years in the financial institutions such as Paribas Capital Market and Banque Indosuez. Mr Chen was appointed as a non-executive director of the Company in March 2009.

Dr Kuo Chen-Lung

Aged 46, the Vice President of Sales and Marketing of CMO, is responsible for CMO's product strategies and marketing. Dr Kuo earned his Ph.D. in Electro-optical Engineering from National Chiao Tung University. He has accumulated many years of experience in Taiwan and Japan's optoelectronics industry. After joining CMO in 1998, Dr Kuo assumed the positions of R&D department manager and plant manager. In 2001, Dr Kuo was instrumental in the development of sales, marketing and product management team for LCD TV products. Dr Kuo has over 18 years of experience in sales and marketing, product development and management in the optoelectronics industry. Dr Kuo was appointed as non-executive director of the Company in June 2008 and resigned in March 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-executive Directors

Mr Chan Boon-Teong

Aged 66, 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 38 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. 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 66, 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 54, 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 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 32 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 57, 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 September 1994, he worked for a number of well-known monitor manufacturers in Taiwan as purchasing supervisor for over 23 years.

Mr Lu Being-Chang

Aged 62, Senior Vice President, is in charge of new product planning, research and development. 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. He was resigned as an executive director of the Company in June 2008.

Mr Lee Neng Sung

Aged 58, 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 51, 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 50, 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.

Dr Chen Nai Yung

Aged 59, Vice President and Chief Information Officer, is in charge of the Group's information technology, human resources and non-production purchasing. Dr Chen graduated from Taiwan University in 1972, with a bachelor's degree in electrical engineering and Ph. D degree in electrical engineering from University of Rhode Island. Prior to joining the Group in February 2008, he worked for the Texas Instruments and Semiconductor Manufacturing International Corporation.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company or its subsidiaries 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.

DIRECTORS' INTERESTS

As at 31st December 2008, 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

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 2008, 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 or its subsidiaries 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 2008, the Company has no ultimate holding company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2008, 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	412,496,000 (Note 2)	Nil
China Electronics Corporation	412,496,000 (Note 2)	Nil
Chi Mei Optoelectronics Corporation	150,500,000 (Note 3)	Nil
Chi Mei Corporation	150,500,000 (Note 3)	Nil
The Capital Group Companies, Inc.	128,256,000	Nil
FMR LLC	105,978,000	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, which is a wholly-owned subsidiary of China Electronics Corporation ("CEC").

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

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	16.4%
– five largest suppliers combined	42.6%

Sales

– the largest customer	14.3%
– five largest customers combined	51.7%

Philips, being a substantial shareholder of the Company, has beneficial interest in one of the five largest customers and one of the five largest suppliers disclosed above during the year. CMO, being a substantial shareholder of the Company, has beneficial interest in one of the five largest suppliers disclosed above during the year.

Apart from disclosed above, 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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 41 to the consolidated financial statements also constituted connected transaction under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected party (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, have been made by the Company in accordance with the requirements of the Listing Rules.

Transaction with the Philips and its subsidiaries (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 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 the Philips Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules:

(a) non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement and the Component Sourcing Agreement (details of which are contained in the 2005 Circular).

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. The transaction amounts in respect of each of these continuing connected transactions for the year ended 31st December 2008 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$1,011,302,000	US$4,497,000,000
(ii)	the purchase of Components (as defined in the 2005 Circular) by the Group from the Philips Group under the Component Sourcing Agreement	US$196,449,000	US$1,537,081,000

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 2008 has not exceeded their respective annual caps.

CONNECTED TRANSACTIONS (Continued)

Transaction with the Philips and its subsidiaries (the "Philips Group") (Continued)

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) and (ii) 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.

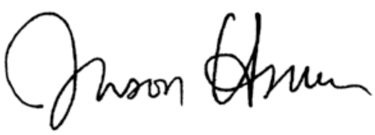
SUBSEQUENT EVENT

The Group entered into an agreement with Philips in February 2009 for an exclusive license to use the Philips trademark to produce and sell monitors worldwide for a term of five years. Pursuant to the agreement, TPV will be responsible for the overall supply chain management from sourcing to sales and marketing to after sales service. The transaction is expected to be completed in the second quarter of 2009.

AUDITORS

The consolidated 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, 31st March 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31st December 2008, 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 2008. 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 2008	Number of board meetings attended
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	6	6
Mr Houng Yu-Te	6	6
Mr Maarten Jan de Vries (Note 1)	6	4
Mr Robert Theodoor Smits (appointed on 9th December 2008) (Note 2)	2	1
Mr Lu Ming	6	5
Dr Kuo Chen-Lung (appointed on 11th June 2008 and resigned on 31st March 2009)	5	4
Mr Chan Boon-Teong	6	6
Dr Ku Chia-Tai	6	6
Mr Wong Chi Keung	6	6
Mr Lu Being-Chang (resigned on 11th June 2008)	2	2
Mr Chang Yueh, David (resigned on 9th December 2008) (Note 3)	5	2

THE BOARD (Continued)

Notes:

(1) Mr Maarten Jan de Vries has abstained from attending two board meetings to avoid possible conflict of interests.

(2) Mr Robert Theodoor Smits has abstained from attending one board meeting to avoid possible conflict of interests.

(3) Mr Chang Yueh, David has abstained from attending one board meeting to avoid possible conflict of interests.

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.

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.

Corporate Governance Report

BOARD COMPOSITION

During the year, the board comprises three executive directors, being Dr Hsuan, Jason (Chairman), Mr Houng Yu-Te and Mr Lu Being-Chang (resigned on 11th June 2008), five non-executive directors, being Mr Maarten Jan de Vries, Mr Robert Theodoor Smits (appointed on 9th December 2008), Mr Lu Ming, Mr Chang Yueh, David (resigned on 9th December 2008) and Dr Kuo Chen-Lung (appointed on 11th June 2008) and three independent non-executive directors, being Mr Chan Boon-Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.

Brief biographical particulars of 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.

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.

NOMINATION OF DIRECTORS

The board of directors evaluates the mix of professional skills and experience on the board. Candidates are selected and recommended based on these requirements. After the appointment has been reviewed and approved by the full board, all new directors are subject to election by shareholders at the next following annual general meeting pursuant to bye-law 102 of the Bye-laws of the Company.

In 2008, the board of directors has reviewed and approved the appointment of Dr Kuo Chen-Lung and Mr Robert Theodoor Smits, and the resignation of Mr Lu Being-Chang and Mr Chang Yueh, David. The board of directors has also discussed and reviewed the senior management succession plan.

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 judgment 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 2008.

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 two meetings in 2008. 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)*	2/2
Dr Ku Chia-Tai	2/2
Mr Wong Chi Keung	2/2
Dr Hsuan, Jason	2/2

At the meetings during the year, the remuneration committee discussed and reviewed the remuneration packages of directors and the remuneration policy in respect of senior management and other employees as a whole of the Group for 2008. To avoid conflict of interests, the directors' fees of independent non-executive directors were discussed and approved by the full board.

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 consolidated financial statements and details of the New Scheme and the directors' interest in share options are set out in the Report of the Directors.

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 37 to 38.

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 unauthorized 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 2008, 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.

During 2008, 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 2008. 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	4/4
Mr Wong Chi Keung	4/4

Work performed by the audit committee during the year included:

- met with external auditors 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 2007;
- reviewed and recommended the interim financial statements for the six months ended 30th June 2008;
- 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 2009;
- reviewed and approved internal audit reports and the system of internal control and related financial control, discussed the same with the management;
- reviewed and recommended the appointment of external auditors;
- implemented policies on the engagement of external auditors 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.

AUDIT COMMITTEE (Continued)

The audit committee meets the external auditors 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 2009. The recommendation will be put forward for approval by shareholders at the Company's annual general meeting to be held on 2nd June 2009.

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	858
Non-audit services	
– Tax consulting fee	669
– Others	25
	1,552

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 results are scrutinized by the Company's share registrar and published in the websites of the Company, The Stock Exchange of Hong Kong Limited and Singapore Exchange Limited.

Independent Auditor's Report

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 39 to 120, which comprise the consolidated and company balance sheets as at 31st December 2008, 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 judgment, 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 affairs of the Company and of the Group as at 31st December 2008 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, 31st March 2009

Consolidated Income Statement
For the year ended 31st December

	Note	2008 US$'000	2007 US$'000
Revenue	5	**9,247,020**	8,455,151
Cost of goods sold		**(8,818,588)**	(8,064,168)
Gross profit		**428,432**	390,983
Other income	5	**31,267**	66,185
Realized and unrealized gains on foreign exchange forward contracts – net		**120,619**	22,413
Net exchange (losses)/gains		**(55,150)**	34,438
Others		**(24,259)**	3,485
Other gains – net	6	**41,210**	60,336
Selling and distribution expenses		**(167,984)**	(128,276)
Administrative expenses		**(112,687)**	(85,182)
Research and development expenses		**(67,335)**	(54,170)
Operating profit	7	**152,903**	249,876
Finance income	9	**2,433**	2,167
Finance costs	9	**(51,332)**	(45,085)
Finance costs – net		**(48,899)**	(42,918)
Share of profits less losses of associated companies		**3,288**	2,915
Profit before income tax		**107,292**	209,873
Income tax expense	10	**(9,712)**	(26,477)
Profit for the year		**97,580**	183,396
Attributable to:			
Equity holders of the Company	11	**97,177**	180,044
Minority interest		**403**	3,352
		97,580	183,396
Earnings per share for profit attributable to the equity holders of the Company	12		
– Basic		**US4.74 cents**	US9.21 cents
– Fully diluted		**US4.54 cents**	US8.32 cents
Dividends	13	**29,137**	55,378

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
As at 31st December

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Intangible assets	14	**389,366**	359,419
Property, plant and equipment	15	**334,844**	250,697
Land use rights	16	**16,000**	15,278
Investment properties	17	**15,912**	10,403
Interests in associated companies	19	**14,523**	10,949
Available-for-sale financial assets	20	**3,031**	6,559
Deferred income tax assets	28	**15,712**	4,743
		789,388	658,048
Current assets			
Inventories	21	**669,978**	1,100,133
Trade receivables	22	**1,366,436**	1,521,532
Deposits, prepayments and other receivables	22	**229,764**	372,639
Financial assets at fair value through profit or loss	23	**275**	1,107
Current income tax recoverable		**6,182**	1
Derivative financial instruments	32	**120,364**	48,108
Pledged bank deposit	24	**200**	–
Cash and cash equivalents	24	**171,066**	135,061
		2,564,265	3,178,581
Total assets		**3,353,653**	3,836,629
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	25	**21,112**	19,647
Other reserves	26	**1,343,956**	1,180,994
Proposed final dividend	26	**10,556**	39,677
		1,375,624	1,240,318
Minority interest		**776**	123
Total equity		**1,376,400**	1,240,441

Consolidated Balance Sheet
As at 31st December

	Note	**2008** **US$'000**	2007 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	27	**206,015**	247,956
Pension obligations	29	**4,590**	4,068
		210,605	252,024
Current liabilities			
Trade payables	30	**929,623**	1,436,749
Other payables and accruals		**266,682**	238,992
Current income tax liabilities		**9,793**	16,451
Warranty provisions	31	**56,945**	47,627
Derivative financial instruments	32	**106,365**	64,156
Borrowings	27	**397,240**	540,189
		1,766,648	2,344,164
Total liabilities		**1,977,253**	2,596,188
Total equity and liabilities		**3,353,653**	3,836,629
Net current assets		**797,617**	834,417
Total assets less current liabilities		**1,587,005**	1,492,465

Dr Hsuan, Jason
Director

Mr Houng Yu-Te
Director

The accompanying notes are an integral part of these consolidated financial statements.

Balance Sheet
As at 31st December

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Intangible assets	14	**268**	321
Investments in subsidiaries	18	**796,135**	760,774
		796,403	761,095
Current assets			
Deposits, prepayments and other receivables	22	**1,812**	–
Amounts due from subsidiaries	18	**421,939**	162,061
Cash and cash equivalents	24	**320**	512
		424,071	162,573
Total assets		**1,220,474**	923,668
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	25	**21,112**	19,647
Other reserves	26	**755,448**	635,223
Proposed final dividend	26	**10,556**	39,677
		787,116	694,547
LIABILITIES			
Non-current liabilities			
Borrowings	27	**206,015**	227,956
Current liabilities			
Other payables and accruals		**2,343**	1,165
Borrowings	27	**225,000**	–
		227,343	1,165
Total liabilities		**433,358**	229,121
Total equity and liabilities		**1,220,474**	923,668
Net current assets		**196,728**	161,408
Total assets less current liabilities		**993,131**	922,503

Dr Hsuan, Jason
Director

Mr Houng Yu-Te
Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December

	Note	Attributable to the Company's equity holders: Share capital US$'000	Attributable to the Company's equity holders: Other reserves US$'000	Minority interest US$'000	Total US$'000
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 losses 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	25 & 26	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
Balance at 1st January 2008		19,647	1,220,671	123	1,240,441
Net fair value losses on available-for-sale financial assets		–	(3,210)	–	(3,210)
Exchange differences		–	(5,760)	–	(5,760)
Net loss recognized directly in equity		–	(8,970)	–	(8,970)
Profit for the year		–	97,177	403	97,580
Total recognized income for the year		–	88,207	403	88,610
Employee share option scheme:					
– Employee share-based compensation benefits		–	2,523	–	2,523
– Issue of new shares pursuant to exercise of share options, net of expenses	25 & 26	7	445	–	452
Issue of new shares, net of expenses	25 & 26	1,505	102,568	–	104,073
Repurchase of the Company's shares	25 & 26	(47)	(1,644)	–	(1,691)
Formation of a non-wholly owned subsidiary		–	–	250	250
Dividends paid		–	(58,258)	–	(58,258)
Balance at 31st December 2008		21,112	1,354,512	776	1,376,400

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
For the year ended 31st December

	Note	2008 US$'000	2007 US$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	35(a)	**454,441**	(143,872)
Interest paid		**(48,273)**	(41,986)
Overseas income tax paid		**(33,520)**	(6,946)
Net cash generated from/(used in) operating activities		**372,648**	(192,804)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**2,556**	1,806
Proceeds from disposal of an available-for-sale financial asset		**5,811**	40
Purchase of property, plant and equipment		**(154,786)**	(108,711)
Purchase of land use rights		**(4,563)**	(3,757)
Purchase of available-for-sale financial assets		**(8,776)**	(5,803)
Interest received		**2,433**	2,167
Investment in an associated company		**(286)**	–
Acquisition of a business operation	39	**(32,900)**	–
Minority shareholders' contribution to a new subsidiary		**250**	–
Net cash used in investing activities		**(190,261)**	(114,258)
Cash flows from financing activities			
Proceeds from long-term bank borrowings		**–**	45,000
Net (repayment)/inception of short-term bank borrowings		**(187,949)**	323,899
Proceeds from issuance of new shares		**104,525**	10,995
Repurchase of the Company's shares		**(1,691)**	–
(Payment for)/proceeds from derivative financial instruments		**(2,000)**	9,000
Increase in pledged bank deposit		**(200)**	–
Dividends paid		**(58,258)**	(48,497)
Net cash (used in)/generated from financing activities		**(145,573)**	340,397
Increase in cash and cash equivalents		**36,814**	33,335
Cash and cash equivalents at 1st January		**135,061**	96,025
Effect of foreign exchange rate changes		**(809)**	5,701
Cash and cash equivalents at 31st December		**171,066**	135,061
Analysis of cash and cash equivalents:			
Bank balances and cash		**171,066**	135,061

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated 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 (the "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 Singapore Exchange Limited.

These consolidated financial statements are presented in US dollars, unless otherwise stated.

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"). They 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 financial instruments) at fair value through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

(a) In 2008, the Group adopted the following amendments and interpretations to existing standards that are effective in 2008 and relevant to the Group's operations.

HKFRS 7 and HKAS 39 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these amendments and interpretations to existing standards had no material financial impact on the Group for the year ended 31st December 2008.

(b) The following interpretation to existing standard is mandatory for accounting periods beginning on or after 1st January 2008 but is not relevant to the Group's operations.

HK(IFRIC) – Int 12	Service Concession Arrangements

(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 2009. 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 2008.

HKFRS 1 (Amendment)	First-time Adoption of HKFRS (effective for annual periods beginning on or after 1st January 2009)
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 prospectively to business combinations for which the acquisition date is 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 (Revised)	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)
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1st January 2009)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) (Continued)

HKAS 39 (Amendment)	Eligible Hedged Items (effective for annual periods beginning on or after 1st January 2009)
HKAS 39 and HK(IFRIC) – Int 9 (Amendments)	Embedded Derivatives (effective for annual periods beginning on or after 30th June 2009)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008)
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1st January 2009)
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1st October 2008)
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC) – Int 18	Transfers of Assets from Customers (effective for annual periods beginning on or after 1st July 2009)

In October 2008, Hong Kong Institute of Certified Public Accountants issued modifications to the following existing accounting standards which are not yet effective and have not been early adopted.

HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1st July 2009)
HKFRS 7 (Amendment)	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1st January 2009)
HKAS 1 (Amendment)	Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 2 (Amendment)	Inventory (effective for annual periods beginning on or after 1st January 2009)
HKAS 7 (Amendment)	Cash Flow Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1st January 2009)
HKAS 10 (Amendment)	Events after the Balance Sheet Date (effective for annual periods beginning on or after 1st January 2009)
HKAS 16 (Amendment)	Property, Plant and Equipment (effective for annual periods beginning on or after 1st January 2009)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) (Continued)

HKAS 18 (Amendment)	Revenues (effective for annual periods beginning on or after 1st January 2009)
HKAS 19 (Amendment)	Employee Benefits (effective for annual periods beginning on or after 1st January 2009)
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance (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 (Amendment)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 28 (Amendment)	Investments in Associates (effective for annual periods beginning on or after 1st January 2009)
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1st January 2009)
HKAS 31 (Amendment)	Interests in Joint Ventures (effective for annual periods beginning on or after 1st January 2009)
HKAS 32 (Amendment)	Financial Instruments: Presentation (effective for annual periods beginning on or after 1st January 2009)
HKAS 34 (Amendment)	Interim Financial Reporting (effective for annual periods beginning on or after 1st January 2009)
HKAS 36 (Amendment)	Impairment of Assets (effective for annual periods beginning on or after 1st January 2009)
HKAS 38 (Amendment)	Intangible Assets (effective for annual periods beginning on or after 1st January 2009)
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1st January 2009)
HKAS 40 (Amendment)	Investment Property (effective for annual periods beginning on or after 1st January 2009)
HKAS 41 (Amendment)	Agriculture (effective for annual periods beginning on or after 1st January 2009)

All the above new/revised standards, amendments and interpretations to existing standards are relevant to the Group's operations except for HK(IFRIC) – Int 13, HK(IFRIC) – Int 15, HK(IFRIC) – Int 16, HK(IFRIC) – Int 18, HKAS 29 (Amendment) and HKAS 41 (Amendment).

The Group plans to adopt these 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. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements 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)

(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 identified on acquisition, net of any accumulated impairment loss. See Note 2.9 for the impairment of non-financial assets including goodwill.

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 is subject to risks and returns that are different from those of segments operating in other economic environments.

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 the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are remeasured. 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 consolidated income statement.

All foreign exchange gains and losses, including those relating to borrowings and cash and cash equivalents, are presented in the consolidated income statement within "other gains – net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences 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 difference 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-sale financial assets 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 consolidated 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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 consolidated income statement.

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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties

Investment property, principally comprises land held under operating leases and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

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 active 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 consolidated 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested 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 identified according to operating segment.

(b) Trademarks

Acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets that have an indefinite useful life, for example goodwill, 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 also categorized 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. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.13 and 2.14).

(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 way purchases and sales of financial assets 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other gains – net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss are recognized in the consolidated income statement as part of other income 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 consolidated income statement as "other gains – net".

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

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 is 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 consolidated income statement) is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade and other receivables is discussed in Note 2.13.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated income statement within "other gains – net".

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.

2.13 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 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 the loss is recognized in the consolidated income statement within "administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the consolidated 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.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

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, 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, 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 only 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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.

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 a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining employees of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision of original estimates, if any, in the consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognized termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing terminating benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(d) 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 historical experience 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sales have been resolved. 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 consolidated 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.

2.23 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 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), including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.25 Financial guarantee

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 consolidated 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 foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate 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.

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 and Brazilian real. 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 against Renminbi by using foreign exchange forward contracts.

As at 31st December 2008, if US dollars had weakened/strengthened by 1% against Renminbi with all other variables held constant, post-tax profit for the year would have been US$3,189,000 (2007: US$3,804,000) 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 less sensitive to movement in US dollars/Renminbi exchange rates in 2008 than 2007 because of the decreased amount of Renminbi denominated trade receivables.

As at 31st December 2008, if US dollars had strengthened/weakened by 1% against Brazilian real with all other variables held constant, post-tax profit for the year would have been US$1,912,000 (2007: US$1,049,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US dollars denominated trade payables.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 judgment 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.

(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 27.

As at 31st December 2008, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the Group's and the Company's post-tax profit for the year would have been US$335,100 (2007: US$176,000) and US$317,000 (2007: US$39,000) lower/higher respectively, mainly as a result of higher/lower interest expenses on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 2008 and 2007, all the Company's and the Group's cash and cash equivalents were deposited in the high quality financial institutions without significant 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	2008 US$'000
Customer A	**151,480**
Customer B	**131,967**
Customer C	**120,141**
Customer D	**98,475**
Customer E	**98,151**
	600,214

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

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 net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31st December 2008				
Borrowings (Note)	**397,240**	**210,514**	**–**	**607,754**
Interest payments on borrowings	**20,043**	**7,052**	**–**	**27,095**
Derivative financial instruments	**38,800**	**–**	**–**	**38,800**
Trade payables	**929,623**	**–**	**–**	**929,623**
Other payables and accruals	**266,682**	**–**	**–**	**266,682**
At 31st December 2007				
Borrowings	540,189	45,000	210,514	795,703
Interest payments on borrowings	40,200	9,558	8,444	58,202
Derivative financial instruments	64,156	–	–	64,156
Trade payables	1,436,749	–	–	1,436,749
Other payables and accruals	238,992	–	–	238,992

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31st December 2008				
Borrowings (Note)	**225,000**	**210,514**	**–**	**435,514**
Interest payments on borrowings	**16,554**	**7,052**	**–**	**23,606**
Other payables and accruals	**2,343**	**–**	**–**	**2,343**
At 31st December 2007				
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

Note: As at 31st December 2008, the Group was not able to comply with certain financial covenants as stipulated in the loan agreement for a syndicated bank loan amounted to US$200,000,000. Even though this did not immediately constitute an event of default under the relevant loan agreement, the Company's management expressed their intention to the banks to wholly repay the syndicated bank loan in 2009. As such, the syndicated bank loan was reclassified from non-current liabilities to current liabilities.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis 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. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31st December 2008				
Foreign exchange forward contracts				
– Inflow	(4,207,414)	–	–	(4,207,414)
– Outflow	4,274,979	–	–	4,274,979
At 31st December 2007				
Foreign exchange forward contracts				
– Inflow	(2,462,690)	–	–	(2,462,690)
– Outflow	2,415,000	–	–	2,415,000

3 FINANCIAL RISK MANAGEMENT (Continued)

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. Except for the compliance of certain financial covenants for maintaining the Group's banking facilities and convertible bonds, the Group is not subject to any externally imposed capital requirements. As at 31st December 2008, the Group was not able to comply with certain financial covenants as disclosed in Note 27 to the consolidated financial statement.

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.

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings	**603,255**	788,145	**431,015**	227,956
Less: Cash and cash equivalents	**(171,066)**	(135,061)	**(320)**	(512)
Net debt	**432,189**	653,084	**430,695**	227,444
Total equity	**1,376,400**	1,240,441	**787,116**	694,547
Total capital	**1,808,589**	1,893,525	**1,217,811**	921,991
Debt to equity ratio	**24%**	34%	**35%**	25%

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 amount less impairment provision of trade receivables and payables are assumed to approximate 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 JUDGMENTS

Estimates and judgments 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 judgment is required in determining the worldwide provision for taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. 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 judgment 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 consolidated 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 judgment 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 JUDGMENTS (Continued)

(e) 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 judgment 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.

(f) 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.

(g) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation 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 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.

(h) Employee benefits – share-based payments

The valuation of the fair value of the share options granted requires judgment 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 consolidated income statement in the subsequent remaining vesting period of the relevant share options.

(i) Fair value of derivatives and other financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each balance sheet date.

5 REVENUE, 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:

	2008 US$'000	2007 US$'000
Turnover		
Sales of goods to third parties and related companies (Note 41)	**9,247,020**	8,455,151
Other income		
Export incentives received (Note (a))	**11,625**	8,325
Localization incentives received	**3,319**	47,998
Fiscal refund received (Note (b))	**6,185**	3,608
Rental income, net of direct outgoings	**1,070**	973
Dividend income from financial assets at fair value through profit or loss	**–**	365
Miscellaneous income	**9,068**	4,916
	31,267	66,185
	9,278,287	8,521,336

Notes:

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

(b) 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 2008, the Group was organized on a worldwide basis into two main business segments. They were (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.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

Income statement

	For the year ended 31st December 2008			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue	7,010,763	1,966,250	270,007	9,247,020
Cost of goods sold	(6,670,912)	(1,879,886)	(267,790)	(8,818,588)
Other income excluding export incentives received, fiscal refund received and localization incentives received	7,687	2,156	295	10,138
Operating expenses	(231,079)	(74,330)	(1,387)	(306,796)
Segment results	116,459	14,190	1,125	131,774
Export incentives received				11,625
Fiscal refund received				6,185
Localization incentives received				3,319
Operating profit				152,903
Finance costs – net				(48,899)
Share of profits less losses of associated companies				3,288
Profit before income tax				107,292
Income tax expense				(9,712)
Profit for the year				97,580
Other information				
Capital expenditure	117,165	45,084	–	162,249
Depreciation	41,659	13,347	4,416	59,422
Amortization of land use rights	–	–	383	383
Amortization of intangible assets	–	–	53	53

Balance sheet

	As at 31st December 2008			
Segment assets	2,151,087	797,109	58,192	3,006,388
Interests in associated companies				14,523
Unallocated assets				332,742
Total assets				3,353,653
Segment liabilities	(1,026,265)	(226,984)	(4,591)	(1,257,840)
Unallocated liabilities				(719,413)
Total liabilities				(1,977,253)

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

Income statement

	For the year ended 31st December 2007			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue	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 income tax				209,873
Income tax expense				(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

Balance sheet

	As at 31st December 2007			
Segment assets	3,005,009	606,580	8,109	3,619,698
Interests in associated companies				10,949
Unallocated assets				205,982
Total assets				3,836,629
Segment liabilities	(1,563,821)	(159,546)	(4,069)	(1,727,436)
Unallocated liabilities				(868,752)
Total liabilities				(2,596,188)

5 REVENUE, 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, inventories, trade receivables and deposits, prepayments and other receivables. They exclude investment properties, deferred income tax assets, available-for-sale financial assets, derivative financial instruments, financial assets at fair value through profit or loss, current income tax recoverable, pledged bank deposit and cash and cash equivalents.

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

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 2008			
	Revenue US$'000	Operating profit/(loss) US$'000	Total assets US$'000	Capital expenditure US$'000
Geographical segments:				
Europe	2,265,150	34,062	188,379	19,468
North America	2,534,825	73,391	339,683	–
South America	599,112	(23,996)	255,843	13,715
Africa	32,997	(220)	–	–
Australia	150,312	4,490	271	–
The PRC	2,387,319	55,690	1,082,969	125,824
Rest of the world	1,277,305	9,486	1,471,985	3,242
	9,247,020	152,903	3,339,130	162,249
Interests in associated companies			14,523	
Total assets			3,353,653	

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments (Continued)

	As at/For the year ended 31st December 2007			
	Revenue 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	1,409,758	67,265
Rest of the world	1,227,061	10,214	1,660,841	3,604
	8,455,151	249,876	3,825,680	112,468
Interests in associated companies			10,949	
Total assets			3,836,629	

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

	2008 US$'000	2007 US$'000
Realized and unrealized gains on foreign exchange forward contracts – net	**120,619**	22,413
Net exchange (losses)/gains	**(55,150)**	34,438
Realized and unrealized (losses)/gains on interest rate swaps – net	**(21,630)**	1,100
Fair value losses on financial assets at fair value through profit or loss	**(1,115)**	(137)
Losses on disposal of financial assets at fair value through profit or loss	**–**	(18)
Fair value gains on revaluation of investment properties	**1,662**	3,662
Gain on disposal of an available-for-sale financial asset	**8**	25
Impairment losses on available-for-sale financial assets	**(3,184)**	(1,147)
	41,210	60,336

7 OPERATING PROFIT

Operating profit is stated after charging the followings:

	2008 US$'000	2007 US$'000
Cost of inventories	**8,471,984**	7,772,691
Employee benefit expense (including directors' emoluments) (Note 8)	**216,064**	162,510
Depreciation of property, plant and equipment	**59,422**	55,452
Amortization of land use rights	**383**	271
Operating lease rental for land and buildings and machinery	**12,566**	5,637
Auditors' remuneration	**1,102**	970
Amortization of intangible assets (included in administrative expenses)	**53**	53
Provision for warranty (Note 31)	**66,942**	77,571
Provision for bad and doubtful debts	**12**	633
Loss on disposal of property, plant and equipment	**3,231**	20
Write-down of inventories to net realizable value	**22,481**	6,855
Impairment losses on property, plant and equipment	**2,814**	–
Donations	**697**	31

8 EMPLOYEE BENEFIT EXPENSE

	2008 US$'000	2007 US$'000
Wages, salaries and welfare	**208,514**	159,107
Unutilized annual leave	**78**	86
Share options granted to directors and employees	**2,523**	253
Pension costs – defined contribution plans	**1,294**	2,426
Pension costs – defined benefit plan (Note 29)	**815**	638
Termination benefits	**2,840**	–
	216,064	162,510

8 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2008 is set out below:

Name of director	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'000	Discretionary bonuses US$'000	Total US$'000
Dr Hsuan, Jason	–	282[1]	260	542
Mr Houng Yu-Te	–	165[1]	100	265
Mr Lu Being Chang (Note (i))	–	59[1]	45	104
Mr Maarten Jan de Vries	–	–	–	–
Mr Chang Yueh, David (Note (ii))	–	–	–	–
Mr Lu Ming	–	–	–	–
Mr Robert Theodoor Smits (Note (iii))	–	–	–	–
Mr Kuo Chen-Lung (Note (iv))	–	–	–	–
Mr Chan Boon-Teong	40	43[1]	–	83
Dr Ku Chia-Tai	30	35[1]	–	65
Mr Wong Chi Keung	30	37[1]	–	67

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

Name of director	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'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 (Note (v))	–	221[1]	184	405
Mr Maarten Jan de Vries	–	–	–	–
Mr Chang Yueh, David	–	–	–	–
Mr Chen Yanshun (note (vi))	–	2[1]	–	2
Mr Wang Dongsheng (Note (vii))	–	8[1]	–	8
Mr Wang Yanjun (Note (viii))	–	2[1]	–	2
Mr Lu Ming (Note (ix))	–	–	–	–
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

8 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments (Continued)

Notes:

(i) Resigned on 11th June 2008
(ii) Resigned on 9th December 2008
(iii) Appointed on 9th December 2008
(iv) Appointed on 11th June 2008
(v) Appointed on 12th June 2007
(vi) Resigned on 12th June 2007
(vii) Resigned on 30th November 2007
(viii) Resigned on 11th April 2007
(ix) Appointed on 28th December 2007

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2007: two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2007: three) individuals during the year are as follows:

	2008	2007
	US$'000	US$'000
Basic salaries, housing allowances and other benefits in kind	**834**[1]	583[1]
Discretionary bonuses	**380**	588
	1,214	1,171

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.

8 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
HK$2,000,001 to HK$2,500,000 (equivalent to US$256,410 to US$320,513)	**3**	–
HK$2,500,001 to HK$3,000,000 (equivalent to US$320,514 to US$384,615)	**1**	2
HK$3,000,001 to HK$3,500,000 (equivalent to US$384,616 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

	2008	2007
	US$'000	US$'000
Interest expense on bank borrowings wholly repayable within five years	**41,103**	34,856
Interest expense on convertible bonds wholly repayable within five years (Note 34)	**10,229**	10,229
	51,332	45,085
Interest income on short-term bank deposits	**(2,433)**	(2,167)
Finance costs – net	**48,899**	42,918

No borrowing costs were capitalized during the years ended 31st December 2008 and 2007.

10 INCOME TAX

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 (2007: 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.

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

	2008 US$'000	2007 US$'000
Overseas taxation		
– current year	**22,983**	23,915
– over-provision in prior years	**(2,302)**	–
Deferred income tax (credit)/expense (Note 28)	**(10,969)**	2,562
Income tax expense	**9,712**	26,477

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

	2008 US$'000	2007 US$'000
Profit before income tax	**107,292**	209,873
Calculated at a taxation rate of 15% (2007: 15%)	**16,094**	31,481
Different taxation rates in other countries	**2,230**	2,697
Change of taxation rate	**717**	(1,387)
Income not subject to tax	**(42,979)**	(15,090)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**(801)**	(8,610)
Expenses not deductible for tax purposes	**26,972**	17,386
Unrealized losses for which no deferred income tax asset was recognized	**9,781**	–
Over-provision in prior years	**(2,302)**	–
Income tax expense	**9,712**	26,477

10 INCOME TAX (Continued)

The National People's Congress approved the Corporate Income Tax Law of the PRC (the "CIT Law") on 16th March 2007 and the State Council announced the Detail Implementation Regulations ("DIR") on 6th December 2007. According to the CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1st January 2008. However, for enterprises which are established before the publication of the CIT Law and are entitled to preferential treatments of reduced income tax rate granted by relevant tax authorities, the income tax rate is gradually increased to 25% within 5 years after the effective date of the CIT Law. For the region that enjoys a reduced income tax rate at 15%, the income tax rate is gradually increased 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 continue to enjoy such treatment until the fixed term expires.

For the year ended 31st December 2008, three subsidiaries of the Group, TPV Electronics (Fujian) Company Limited, TPV Technology (Beijing) Company Limited and TPV Technology (Suzhou) Company Limited are recognized as New and High Technology Enterprises, and they are able to enjoy a preferential PRC corporate income tax rate of 15% according to the CIT Law. Moreover, another subsidiary of the Group, Top Victory Electronics (Fujian) Company Limited is subject to the PRC corporate income tax rate of 18% according to the aforementioned grandfathering rules stipulated in the DIR and related circular.

For the year ended 31st December 2007, 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 also enjoyed a further 5% reduction in the PRC enterprise income tax rate as their export sales exceeded 70% of their total sale amounts.

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 US$45,470,000 (2007: US$35,639,000).

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.

	2008	2007
Profit attributable to equity holders of the Company (US$'000)	**97,177**	180,044
Weighted average number of ordinary shares in issue (thousands)	**2,050,431**	1,954,167
Basic earnings per share (US cents per share)	**4.74**	9.21

(b) Diluted

Diluted earnings per share is calculated by 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 done 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.

	2008	2007
Profit attributable to equity holders of the Company (US$'000)	**97,177**	180,044
Interest expense on convertible bonds (US$'000)	**10,229**	10,229
Profit used to determine diluted earnings per share (US$'000)	**107,406**	190,273
Weighted average number of ordinary shares in issue (thousands)	**2,050,431**	1,954,167
Adjustments for		
– assumed conversion of convertible bonds (thousands)	**313,289**	322,401
– share options (thousands)	**2,238**	11,295
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,365,958**	2,287,863
Diluted earnings per share (US cents per share)	**4.54**	8.32

13 DIVIDENDS

	2008 US$'000	2007 US$'000
Interim, paid, of US0.88 cent (2007: US0.80 cent) per ordinary share	**18,581**	15,701
Final, proposed, of US0.50 cent (2007: US2.02 cents) per ordinary share	**10,556**	39,677
	29,137	55,378

The directors proposed on 31st March 2009 a final dividend of US0.50 cent per share (2007: US2.02 cents) payable in cash to equity holders. The amount of 2008 proposed final dividend is based on 2,111,252,525 shares in issue as at 31st March 2009 (2007: 1,964,198,525 shares as at 9th April 2008). 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 2009.

14 INTANGIBLE ASSETS

	Goodwill	Group Trademarks	Total
	US$'000	US$'000	US$'000
At 1st January 2007			
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)	–	(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
Year ended 31st December 2008			
Opening net book amount	359,098	321	359,419
Acquisition of a business operation (Note 39)	30,000	–	30,000
Amortization charge (Note)	–	(53)	(53)
Closing net book amount	389,098	268	389,366
At 31st December 2008			
Cost	389,098	800	389,898
Accumulated amortization	–	(532)	(532)
Net book amount	389,098	268	389,366

14 INTANGIBLE ASSETS (Continued)

	Company Trademarks US$'000
At 1st January 2007	
Cost	800
Accumulated amortization	(426)
Net book amount	374
Year ended 31st December 2007	
Opening net book amount	374
Amortization charge (Note)	(53)
Closing net book amount	321
At 31st December 2007	
Cost	800
Accumulated amortization	(479)
Net book amount	321
Year ended 31st December 2008	
Opening net book amount	321
Amortization charge (Note)	(53)
Closing net book amount	268
At 31st December 2008	
Cost	800
Accumulated amortization	(532)
Net book amount	268

Note:

Amortization charge is included in "administrative expenses" in the consolidated income statement.

14 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

A summary of the goodwill allocation is presented below.

	2008 US$'000	2007 US$'000
Monitors	**324,274**	294,274
TVs	**64,824**	64,824
	389,098	359,098

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 are as follows:

	Monitors	TVs
Gross margin	4.9%	4.8%
Growth rate	2.7%	6.0%
Discount rate	12.1%	12.1%

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 2008 and 2007.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land outside Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Machinery and equipment	Moulds	Electrical appliances and equipment	Transportation equipment	Furniture, fixtures and miscellaneous equipment	Construction-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2007										
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
Year ended 31st December 2008										
Opening net book amount	10,554	66,320	8,680	47,018	26,039	35,007	1,263	12,292	43,524	250,697
Exchange differences	(91)	553	(265)	(2,256)	(18)	22	(26)	(365)	(2,877)	(5,323)
Additions	2,135	14,641	4,144	12,072	48,215	22,622	738	6,769	43,450	154,786
Acquisition of a business operation (Note 39)	–	–	–	–	2,900	–	–	–	–	2,900
Transfer	–	38,494	141	2,493	–	124	30	420	(41,895)	(193)
Disposals	–	(33)	(341)	(1,907)	(2,350)	(1,002)	(30)	(124)	–	(5,787)
Depreciation	–	(4,867)	(822)	(7,202)	(30,411)	(12,253)	(331)	(3,536)	–	(59,422)
Impairment losses	–	(2,031)	–	(167)	(32)	–	–	(584)	–	(2,814)
Closing net book amount	12,598	113,077	11,537	50,051	44,343	44,520	1,644	14,872	42,202	334,844
At 31st December 2008										
Cost	12,598	136,826	15,348	85,275	182,211	113,509	3,414	29,314	42,202	620,697
Accumulated depreciation	–	(21,718)	(3,811)	(35,057)	(137,836)	(68,989)	(1,770)	(13,858)	–	(283,039)
Accumulated impairment losses	–	(2,031)	–	(167)	(32)	–	–	(584)	–	(2,814)
Net book amount	12,598	113,077	11,537	50,051	44,343	44,520	1,644	14,872	42,202	334,844

Depreciation of US$55,577,000 (2007: US$52,600,000), US$335,000 (2007: US$115,000), US$1,158,000 (2007: US$428,000) and US$2,352,000 (2007: US$2,309,000) was presented in the consolidated income statement within cost of goods sold, selling and distribution expenses, administrative expenses and research and development expenses respectively.

16 LAND USE RIGHTS

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

	Group	
	2008	2007
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**1,383**	749
Leases of between 10 and 50 years	**14,617**	14,529
	16,000	15,278

	2008	2007
	US$'000	US$'000
Opening net book amount	**15,278**	11,964
Exchange differences	**196**	(172)
Additions	**4,563**	3,757
Transfer to investment properties	**(3,654)**	–
Amortization of prepaid operating lease payments	**(383)**	(271)
Closing net book amount	**16,000**	15,278

17 INVESTMENT PROPERTIES

	Group	
	2008	2007
	US$'000	US$'000
Opening net book amount	**10,403**	6,741
Transfer from land use rights	**3,654**	–
Transfer from property, plant and equipment	**193**	–
Fair value gains (included in other gains – net)	**1,662**	3,662
Closing net book amount	**15,912**	10,403

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

The investment properties were revalued as at 31st December 2008 by an independent and professionally qualified valuer, Jones Lang Lasalle Sallmanns Limited, on a market basis, which has taken into account the comparable market transactions and the net income derived from existing tenancies with due allowance for reversionary income potential.

18 INVESTMENTS IN SUBSIDIARIES

	Company 2008 US$'000	Company 2007 US$'000
Unlisted shares, at cost	**59,066**	59,066
Amounts due from subsidiaries	**1,159,008**	863,769
	1,218,074	922,835
Less: Non-current portion (Note (i))	**(796,135)**	(760,774)
Current portion (Note (ii))	**421,939**	162,061

Notes:

(i) As at 31st December 2008 and 2007, the non-current amounts due from subsidiaries are unsecured and interest free.

(ii) As at 31st December 2008, the current amounts due from subsidiaries are unsecured and interest free except for two amounts of US$193,000,000 (2007: Nil) and US$7,000,000 (2007: Nil) which bear interest at London Inter-Bank Offering Rate plus 1.0% per annum and Hong Kong Inter-Bank Offering Rate plus 1.0% per annum respectively.

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 2008 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity (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 of materials	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) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$40,000,000	100%
Top Victory Electronics (Taiwan) Company Limited[1]	Taiwan	Research and development of computer monitors and flat TVs and sourcing of certain components	92,000,000 ordinary shares of NT$10 each	100%

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares/investments indirectly held by the Company: (Continued)				
TPV Electronics (Fujian) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of US$45,000,000	100%
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited[1] (Note (b))	The PRC, limited liability company	Trading computer monitors and flat TVs	Paid-in capital of US$3,000,000	100%
TPV Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$16,880,000	100%
TPV Display Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$12,000,000	100%
Wuhan Admiral Technology Limited[1] (Note (b))	The PRC, limited liability company	Trading of computer monitors and flat TVs	Paid-in capital of RMB81,800,000	66.67%
TPV Technology (Ningbo) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of US$29,980,000	100%
TPV Technology Display (Ningbo) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of US$3,000,000	100%
TPV Trading (Ningbo) Company Limited[1] (Note (b))	The PRC, limited liability company	Trading 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 Brazilian real $1 each	99.56%
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 Brazilian real $1 each	99.79%

18 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Shares/investments indirectly held by the Company: (Continued)				
TPV Technology (Beijing) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	280,600,000 ordinary shares of RMB1 each	100%
TPV Technology (Suzhou) Company Limited[1] (Note (c))	The PRC, limited liability company	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	253,600 ordinary share of PLN500 each	100%
P-Harmony Monitors (Taiwan) Limited[1]	Taiwan	Trading of computer monitors	100,000 ordinary shares of NT$10 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/establishment.

(b) These subsidiaries were established as 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 2008 US$'000	Group 2007 US$'000
At 1st January	**10,949**	8,034
Capital injection in an associated company	**286**	–
Share of associated companies' results		
– profit before income tax	**3,019**	3,076
– income tax credit/(expense)	**269**	(161)
At 31st December	**14,523**	10,949

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

Name	Particulars of issued shares held	Place of incorporation/ establishment (Note (a))	Attributable to the Group: Assets US$'000	Liabilities US$'000	Revenue US$'000	Profit/ (loss) US$'000	% Interest held
2008							
Envision Peripherals, Inc.	2,000,000 ordinary shares with no par value	United States of America	**41,941**	**(41,941)**	**96,214**	**(380)**	**24%**
HannStar Display (Wuhan) Corp.[1] (Note (b))	Paid-in capital of US$15,000,000	The PRC	**4,879**	**(1,448)**	**2,498**	**399**	**20%**
CPT TPV Optical (Fujian) Co., Ltd.[1] (Note (b))	Paid-in capital of US$22,500,000	The PRC	**18,631**	**(7,539)**	**6,046**	**3,269**	**20%**
			65,451	**(50,928)**	**104,758**	**3,288**	

Name	Particulars of issued shares held	Place of incorporation/ establishment (Note (a))	Attributable to the Group: Assets US$'000	Liabilities US$'000	Revenue US$'000	Profit US$'000	% Interest held
2007							
Envision Peripherals, Inc.	1,000,000 ordinary shares with no par value	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	

[1] English translation is for identification purpose only.

Notes:

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

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

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Beginning of the year	**6,559**	980	**–**	22
Exchange differences	**(107)**	(51)	**–**	–
Additions	**8,776**	5,803	**–**	–
Disposals	**(5,803)**	(22)	**–**	(22)
Net fair value losses transferred to equity (Note 26)	**(3,210)**	–	**–**	–
Impairment losses charged to the income statement	**(3,184)**	(151)	**–**	–
End of the year	**3,031**	6,559	**–**	–

As at 31st December 2008, the Group has an impairment provision on available-for-sale financial assets of US$4,331,000 (2007: US$1,147,000).

Available-for-sale financial assets include the following:

	Group	
	2008	2007
	US$'000	US$'000
Listed securities:		
– Equity securities – Taiwan	**1,621**	191
Unlisted securities (traded on inactive markets and of private issuers):		
– Equity securities	**1,410**	565
– Debt securities	**–**	5,803
	3,031	6,559
Market value of listed securities	**1,621**	191

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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

	Group	
	2008	2007
	US$'000	US$'000
US dollars	**500**	500
New Taiwan dollars	**2,531**	6,059
	3,031	6,559

21 INVENTORIES

	Group	
	2008	2007
	US$'000	US$'000
Raw materials	**241,094**	383,647
Work-in-progress	**12,054**	34,899
Finished goods	**414,062**	678,478
Production supplies	**2,768**	3,109
	669,978	1,100,133

The cost of inventories recognized as expense and included in cost of goods sold amounted to US$8,471,984,000 (2007: US$7,772,691,000).

22 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**1,370,406**	1,526,490	**–**	–
Less: provision for impairment of receivables	**(3,970)**	(4,958)	**–**	–
Trade receivables, net	**1,366,436**	1,521,532	**–**	–
Deposits	**2,402**	9,821	**–**	–
Prepayments	**47,297**	137,550	**–**	–
Other receivables	**180,065**	225,268	**1,812**	–
	1,596,200	1,894,171	**1,812**	–

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

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

The ageing analysis of trade receivables is as follows:

	Group	
	2008	2007
	US$'000	US$'000
0 – 30 days	**622,704**	565,686
31 – 60 days	**448,369**	582,513
61 – 90 days	**249,420**	294,040
91 – 120 days	**37,877**	66,787
Over 120 days	**12,036**	17,464
	1,370,406	1,526,490

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 at 31st December 2008, trade receivables of US$3,970,000 (2007: US$4,958,000) were impaired. The amount of the provision was US$3,970,000 as at 31st December 2008 (2007: US$4,958,000). 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:

	2008	2007
	US$'000	US$'000
1 – 120 days	**736**	275
Over 120 days	**3,234**	4,683
	3,970	4,958

As at 31st December 2008, trade receivables of US$79,989,000 (2007: US$140,401,000) 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:

	2008	2007
	US$'000	US$'000
1 – 90 days	**78,211**	139,764
91 – 120 days	**1,414**	364
Over 120 days	**364**	273
	79,989	140,401

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

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

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
US dollars	**935,778**	1,123,678	**1,812**	–
Renminbi	**483,896**	579,552	**–**	–
Brazilian real	**112,832**	139,829	**–**	–
Mexican peso	**21,111**	8,268		
Euros	**20,531**	12,259	**–**	–
Indian rupees	**8,097**	19,686	**–**	–
Polish zloty	**4,916**	8,259	**–**	–
Other currencies	**9,039**	2,640	**–**	–
	1,596,200	1,894,171	**1,812**	–

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

	2008	2007
	US$'000	US$'000
At 1st January	**4,958**	4,811
Provision for impairment of receivables	**12**	633
Receivables written off during the year as uncollectible	**(1,000)**	(486)
At 31st December	**3,970**	4,958

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated 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 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	US$'000	US$'000
Listed securities, at market value:		
– Equity securities – Singapore	**275**	1,107

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 consolidated cash flow statement (Note 35).

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

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

24 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**170,445**	128,150	**320**	512
Short-term bank deposits	**621**	6,911	**–**	–
	171,066	135,061	**320**	512
Pledged bank deposit (Note 33)	**200**	–	**–**	–
	171,266	135,061	**320**	512
Maximum exposure to credit risk	**171,203**	135,025	**320**	512

Cash and cash equivalents and pledged bank deposit are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
US dollars	**79,411**	52,535	**95**	127
Renminbi	**81,162**	60,600	**–**	–
Brazilian real	**3,539**	16,058	**–**	–
Euros	**2,927**	2,735	**47**	48
Other currencies	**4,227**	3,133	**178**	337
	171,266	135,061	**320**	512

The effective interest rate on short-term bank deposits was 1.17% (2007: 3.26%); these deposits had an average maturity of 4 days (2007: 2 days).

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

25 SHARE CAPITAL

	2008 US$'000	2007 US$'000
Authorized:		
4,000,000,000 (2007: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,111,252,525 (2007: 1,964,728,525) ordinary shares of US$0.01 each	**21,112**	19,647

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

	2008		2007	
	Number of issued ordinary shares of US$0.01 each	**Par value US$'000**	Number of issued ordinary shares of US$0.01 each	Par value US$'000
At 1st January	**1,964,728,525**	**19,647**	1,942,185,525	19,422
Issue of new shares (Note (a))	**150,500,000**	**1,505**	–	–
Issue of shares pursuant to exercise of share options (Note (b))	**744,000**	**7**	22,543,000	225
Repurchase of the Company's shares (Note (c))	**(4,720,000)**	**(47)**	–	–
At 31st December	**2,111,252,525**	**21,112**	1,964,728,525	19,647

Notes:

(a) The Company issued 150,500,000 shares of HK$5.390 (US$0.69) each on 4th June 2008 to CMO.

(b) As at 31st December 2008, the Company has two share option schemes, under which the Company may grant options in subscribing the Company's ordinary shares to the employees of the Group.

During the year, 744,000 (2007: 22,543,000) new shares of US$0.01 each were issued upon the exercise of share options under the share option schemes approved by the shareholders of the Company at the exercise price of HK$4.735 (US$0.61) per share.

During the year, 15,546,429 share options (2007: 7,676,000) were lapsed as a result of the cessation of employment of certain employees or expiry of the share options.

25 SHARE CAPITAL (Continued)

(b) (Continued)

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 2008	Exercised during the year	Lapsed during the year	At 31st December 2008
3rd November 2003	HK$4.140	(i)	13,675,000	–	(13,675,000)	–
20th May 2004	HK$4.735	(ii)	64,731,229	(744,000)	(1,591,429)	62,395,800
12th December 2007	HK$5.750	(iii)	22,484,026	–	(280,000)	22,204,026
			100,890,255	(744,000)	(15,546,429)	84,599,826

Notes:

(i) 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.

(ii) 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.

(iii) 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.

Options exercised during the year resulted in 744,000 (2007: 22,543,000) ordinary shares being issued at HK$4.735 (US$0.61), yielding the following proceeds:

	2008 US$'000	2007 US$'000
Ordinary share capital – at par	**7**	225
Share premium	**445**	10,770
Proceeds	**452**	10,995

The related weighted average share price at the time of exercise was HK$5.264 (US$0.68) (2007: HK$5.269 (US$0.68)) per share.

(c) The Company repurchased 4,720,000 shares of its own issued shares from the market, according to the general mandate passed at the annual general meeting, at the prices ranging from HK$0.890 (US$0.11) to HK$4.300 (US$0.55) per share. All the repurchased shares were cancelled accordingly.

26 RESERVES

	Group												
	Share premium US$'000	Capital reserve (Note(a)) US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (b)) US$'000	Merger difference (Note (c)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Convertible bonds (Note (e)) US$'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 losses 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	–	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 25)	10,770	–	–	–	–	–	–	–	–	–	–	–	10,770
Purchase of additional interests in a subsidiary from a minority shareholder	–	–	–	–	–	–	–	–	–	–	(9,423)	–	(9,423)
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	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

26 RESERVES (Continued)

	Group												
	Share premium US$'000	Capital reserve (Note(a)) US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (b)) US$'000	Merger difference (Note (c)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Convertible bonds (Note (e)) US$'000	Other reserves US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2008	503,346	64,883	12	6,039	9,223	47,550	10,001	–	5,308	58,271	(9,423)	525,461	1,220,671
Net fair value losses on available-for-sale financial assets	–	–	–	–	–	–	–	(3,210)	–	–	–	–	(3,210)
Exchange differences	–	–	–	–	(5,760)	–	–	–	–	–	–	–	(5,760)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	97,177	97,177
Transfer from retained profits	–	3,319	–	–	–	5,385	–	–	–	–	–	(8,704)	–
Employee share option scheme:													
– Employee share-based compensation benefits	–	–	–	2,523	–	–	–	–	–	–	–	–	2,523
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 25)	445	–	–	–	–	–	–	–	–	–	–	–	445
Issue of new shares, net of expenses (Note 25)	102,568	–	–	–	–	–	–	–	–	–	–	–	102,568
Repurchase of the Company's shares (Note 25)	(1,644)	–	–	–	–	–	–	–	–	–	–	–	(1,644)
Dividends paid:													
– 2007 final	–	–	–	–	–	–	–	–	–	–	–	(39,677)	(39,677)
– 2008 interim	–	–	–	–	–	–	–	–	–	–	–	(18,581)	(18,581)
Exercise of share options	49	–	–	(49)	–	–	–	–	–	–	–	–	–
Balance at 31st December 2008	604,764	68,202	12	8,513	3,463	52,935	10,001	(3,210)	5,308	58,271	(9,423)	555,676	1,354,512
Represented by:													
Other reserves													1,343,956
Proposed final dividend													10,556
													1,354,512

26 RESERVES (Continued)

	Company							
	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note(d)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Convertible bonds (Note(e)) US$'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 25)	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

26 RESERVES (Continued)

	Company						
	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note(d)) US$'000	Convertible bonds (Note(e)) US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 2008	503,346	12	6,039	11,433	58,271	95,799	674,900
Profit for the year	–	–	–	–	–	45,470	45,470
Employee share option scheme:							
– Employee share-based compensation benefits	–	–	2,523	–	–	–	2,523
– Issue of new shares pursuant to exercise of share options, net of expenses (Note 25)	445	–	–	–	–	–	445
Issue of new shares, net of expenses (Note 25)	102,568	–	–	–	–	–	102,568
Repurchase of the Company's shares (Note 25)	(1,644)	–	–	–	–	–	(1,644)
Dividends paid:							
– 2007 final	–	–	–	–	–	(39,677)	(39,677)
– 2008 interim	–	–	–	–	–	(18,581)	(18,581)
Exercise of share options	49	–	(49)	–	–	–	–
Balance at 31st December 2008	604,764	12	8,513	11,433	58,271	83,011	766,004
Represented by:							
Other reserves							755,448
Proposed final dividend							10,556
							766,004

Notes:

(a) Localization incentives were received from the government of Brazil for the localization of production in one of its special economic zones. In the financial statements of the Group's Brazilian subsidiary, the localization incentives were directly credited to the reserve account. However, in the Group's consolidated financial statements, the localization incentives were recognized as other income and an equivalent amount was appropriated to the capital reserve. Pursuant to the Brazilian regulations, this reserve can be used to set off accumulated losses and increase share capital but cannot be distributed to shareholders.

(b) 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 income tax, calculated based on PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, except for the TPV Technology (Suzhou) Company Limited whereas it is 30% of its registered capital, 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.

(c) 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.

(d) 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.

(e) Convertible bonds in reserves represent the value of the equity conversion component. Details of the convertible bonds are set out in Note 34.

27 BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Bank borrowings	**–**	45,000	**–**	25,000
Convertible bonds (Note 34)	**206,015**	202,956	**206,015**	202,956
	206,015	247,956	**206,015**	227,956
Current				
Bank borrowings	**397,240**	540,189	**225,000**	–
Total borrowings	**603,255**	788,145	**431,015**	227,956

As at 31st December 2008, the Group's borrowings were repayable as follows:

	Group				Company			
	Bank borrowings		Convertible bonds		Bank borrowings		Convertible bonds	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**397,240**	540,189	**–**	–	**225,000**	–	**–**	–
Between one and two years	**–**	45,000	**206,015**	–	**–**	25,000	**206,015**	–
Between two and five years	**–**	–	**–**	202,956	**–**	–	**–**	202,956
Wholly repayable within five years	**397,240**	585,189	**206,015**	202,956	**225,000**	25,000	**206,015**	202,956

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

	2008	2007
Bank borrowings	**1.62% – 4.41%**	5.36% – 6.14%
Convertible bonds (Note 34)	**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 2008, the Group was not able to comply with certain financial covenants as stipulated in the loan agreement for a syndicated bank loan amounted to US$200,000,000. Even though this did not immediately constitute an event of default under the relevant loan agreement, the Company's management expressed their intention to the banks to wholly repay the syndicated bank loan in 2009. As such, the syndicated bank loan was reclassified from non-current liabilities to current liabilities.

27 BORROWINGS (Continued)

As at 31st December 2008, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2008 US$'000	2007 US$'000
Within one year	**2,759,780**	2,467,507
Between one and two years	**63,200**	49,000
	2,822,980	2,516,507

28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	Group	
	2008 US$'000	2007 US$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**2,211**	2,749
– Deferred income tax assets to be recovered within 12 months	**13,501**	1,994
	15,712	4,743

No deferred income tax was charged or credited to equity during the year (2007: Nil).

28 DEFERRED INCOME TAX (Continued)

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

	Provisions		Unrealized profit on inventories and derivative financial instruments		Fair value gains on revaluation of investment properties		Tax losses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January	12,069	4,910	(6,411)	743	(915)	–	–	1,652	4,743	7,305
Credited/(charged) to the consolidated income statement	1,410	7,159	7,327	(7,154)	284	(915)	1,948	(1,652)	10,969	(2,562)
At 31st December	13,479	12,069	916	(6,411)	(631)	(915)	1,948	–	15,712	4,743

As at 31st December 2008, as a result of the CIT Law and the grandfathering rules stipulated in the DIR and related circular, the carrying value of deferred income tax assets has been written up by US$717,000 (2007: US$1,387,000).

Deferred income tax assets are recognized for temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US$9,781,000 (2007: Nil) in respect of unrealized losses on derivative financial instruments of US$67,565,000 (2007: Nil).

29 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 2008 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

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

	Group	
	2008	2007
	US$'000	US$'000
Present value of funded obligations	6,662	6,923
Fair value of plan assets	(1,029)	(1,058)
	5,633	5,865
Unrecognized actuarial losses	(1,043)	(1,797)
Liability in the balance sheet	4,590	4,068

29 PENSION OBLIGATIONS (Continued)

The amounts recognized in the consolidated income statement are as follows:

	2008 US$'000	2007 US$'000
Current service cost	**491**	433
Interest cost	**250**	214
Expected return on plan assets	**(30)**	(34)
Net actuarial losses recognized during the year	**104**	25
Total expense, within employee benefit expense (Note 8)	**815**	638

The actual loss on plan assets was US$36,000 (2007: US$42,000).

Movements in the pension obligations are as follows:

	Group	
	2008 US$'000	2007 US$'000
At 1st January	**6,923**	5,764
Current service cost	**491**	433
Interest cost	**250**	214
Benefit paid	**(263)**	(443)
Actuarial (gains)/losses	**(739)**	955
At 31st December	**6,662**	6,923

29 PENSION OBLIGATIONS (Continued)

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

	Group	
	2008	2007
	US$'000	US$'000
At 1st January	**1,058**	1,264
Expected return on plan assets	**30**	34
Contributions	**210**	211
Benefit paid	**(263)**	(443)
Actuarial losses	**(6)**	(8)
At 31st December	**1,029**	1,058

The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate	**2.75%**	3.50%
Expected rate of return on plan assets	**1.50%**	2.75%
Expected rate of future salary increment	**3.00%**	3.00%

30 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2008	2007
	US$'000	US$'000
0 – 30 days	**274,506**	501,250
31 – 60 days	**270,550**	566,025
61 – 90 days	**170,162**	196,251
Over 90 days	**214,405**	173,223
	929,623	1,436,749

The carrying amounts of trade payables are mainly dominated in US dollars and approximate their fair values.

31 WARRANTY PROVISIONS

	Group 2008 US$'000	Group 2007 US$'000
At 1st January	**47,627**	33,098
Charged to the income statement (Note 7)	**66,942**	77,571
Utilized during the year	**(57,624)**	(63,042)
At 31st December	**56,945**	47,627

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period ranging from twelve months to thirty-six months. The provision as at 31st December 2008 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.

32 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2008		2007	
	Assets US$'000	**Liabilities US$'000**	Assets US$'000	Liabilities US$'000
Foreign exchange forward contracts	**119,230**	**(72,104)**	47,690	(51,515)
Interest rate swaps	**1,134**	**(34,261)**	418	(12,641)
	120,364	**(106,365)**	48,108	(64,156)

(a) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31st December 2008 was US$363,800,000 (2007: US$294,300,000).

32 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(b) Foreign exchange forward contracts

The total notional principal amounts of the outstanding foreign exchange forward contracts as at 31st December 2008 are as follows:

	Group	
	2008	2007
	US$'000	US$'000
Sell Renminbi for US dollars	**4,045,500**	2,510,000
Sell US dollars for Renminbi	**4,268,000**	2,415,000
Sell Euros for US dollars	**24,753**	22,880
Sell Japanese Yen for US dollars	**19,550**	2,000
Sell US dollars for Euros	**7,550**	–
Sell US dollars for Japanese Yen	**2,000**	–

33 PLEDGE OF ASSETS

As at 31st December 2008, the Group's bank deposit of US$200,000 was pledged as security for certain banking facilities of the Group (2007: Nil).

34 CONVERTIBLE BONDS

The Company issued 3.35% convertible bonds in the principal amount of US$211 million to 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$0.67) 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.

34 CONVERTIBLE BONDS (Continued)

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 26).

The convertible bonds recognized in the balance sheets are calculated as follows:

	Group and Company	
	2008	2007
	US$'000	US$'000
Equity component	**58,271**	58,271
Liability component		
At 1st January	**202,956**	199,857
Interest expense (Note 9)	**10,229**	10,229
Interest paid	**(7,170)**	(7,130)
At 31st December (Note 27)	**206,015**	202,956

The fair value of the liability component of the convertible bonds as at 31st December 2008 amounted to US$169,377,000 (2007: US$183,063,000). The fair value was calculated by using cash flows discounted at a rate of 18.12% (2007: 9.42%) per annum.

35 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008 US$'000	2007 US$'000
Operating profit	**152,903**	249,876
Depreciation	**59,422**	55,452
Amortization of land use rights	**383**	271
Amortization of intangible assets	**53**	53
Losses on disposal of property, plant and equipment	**3,231**	20
Losses on disposal of financial assets at fair value through profit or loss	**–**	18
Share options granted to directors and employees	**2,523**	253
Unrealized (gains)/losses on derivative financial instruments	**(28,047)**	1,344
Fair value gains on revaluation of investment properties	**(1,662)**	(3,662)
Fair value losses on financial assets at fair value through profit or loss	**1,115**	137
Gain on disposal of an available-for-sale financial asset	**(8)**	(25)
Impairment losses on available-for-sale financial assets	**3,184**	1,147
Impairment losses on property, plant and equipment	**2,814**	–
Dividend income from financial assets at fair value through profit or loss	**–**	(365)
Operating profit before working capital changes	**195,911**	304,519
Decrease/(increase) in trade receivables	**155,096**	(375,673)
Decrease/(increase) in deposits, prepayments and other receivables	**142,875**	(195,586)
Decrease/(increase) in inventories	**430,155**	(79,495)
(Decrease)/increase in trade payables	**(507,126)**	106,795
Increase in warranty provisions, other payables and accruals and pension obligations	**37,530**	95,380
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	188
Net cash generated from/(used in) operations	**454,441**	(143,872)

(b) Major non-cash transactions

For the year ended 31st December 2007, 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) Company Limited (formerly known as Philips Consumer Electronics Company of Suzhou Limited) as mentioned in Note 40.

36 CORPORATE GUARANTEES

	Group		Company	
	2008	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000
Guarantees in respect of banking facilities granted to:				
– subsidiaries	**–**	–	**3,337,817**	2,307,628
– an associated company	**3,000**	3,000	**–**	–
	3,000	3,000	**3,337,817**	2,307,628

37 CONTINGENT LIABILITIES

(a) 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 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 I").

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 I 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.

37 CONTINGENT LIABILITIES (Continued)

(b) In January 2007, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party 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 II").

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 II 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 II; 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.

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.

(c) In November 2007, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party against the Group, one of its associated companies and other third party companies. The claims of the complaint related to alleged infringement of Patent II.

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 II; and

(ii) the complainant requested for issuance of limited exclusion order prohibiting the entry into the United States of America all of respondents' imported televisions and products containing digital television covered by Patent II; 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 settlement may not have any material financial impact on the Group as a whole.

37 CONTINGENT LIABILITIES (Continued)

(d) In December 2008, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent III").

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

(i) they manufacture, assemble, service, including unlicensed monitors, and sell those products through the United States of America, and know, expect, and intend that the products, including unlicensed monitors, will be sold in the market of the United States of America.

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court issues an injunction, enjoining them from further infringement of said patents.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case 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.

(e) In January 2009, a third party company filed a complaint in Germany against the Group, one of its associated companies and other third party companies.

The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent IV").

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, contributed to the infringement of Patent IV by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; 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 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 settlement may not have any material financial impact on the Group as a whole.

38 COMMITMENTS

(a) Capital commitments

	Group	
	2008	2007
	US$'000	US$'000
Capital commitments for plant and equipment		
– Contracted but not provided for	**11,893**	44,125

As at 31st December 2008, the Company did not have any significant capital commitments (2007: Nil).

(b) Commitments under operating leases

As at 31st December 2008, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2008	2007
	US$'000	US$'000
Not later than one year	**4,025**	2,446
Later than one year and not later than five years	**3,170**	3,702
Later than five years	**490**	707
	7,685	6,855

As at 31st December 2008, the Company did not have any significant commitments under operating leases (2007: Nil).

38 COMMITMENTS (Continued)

(c) Future operating lease receivable arrangements

As at 31st December 2008, the Group's future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2008	2007
	US$'000	US$'000
Not later than one year	**866**	957
Later than one year and not later than five years	**127**	55
	993	1,012

As at 31st December 2008, the Company did not have any significant future operating lease receivable arrangements (2007: Nil).

39 BUSINESS COMBINATION

On 31st March 2008, the Group acquired a business operation from CMO, a major shareholder of the Company, for a cash consideration of US$32,900,000.

The acquired business contributed revenues of US$365,865,000 and loss before income tax of US$31,460,000 for the Group for the period from 1st April 2008 to 31st December 2008. If the acquisition had occurred on 1st January 2008, consolidated revenues and consolidated profit before income tax for the year ended 31st December 2008 would have been US$9,389,029,000 and US$105,871,000 respectively.

Details of the assets acquired and goodwill arising from the acquisition are as follows:

	2008
	US$'000
Purchase consideration – cash paid	**32,900**
Less: fair value of assets acquired	**(2,900)**
Goodwill (Note 14)	**30,000**

The goodwill is attributable to the Monitors segment and the synergies expected to arise after the Group's acquisition of the business operation.

39 BUSINESS COMBINATION (Continued)

The assets as of 31st March 2008 arising from the acquisition are as follows:

	Acquiree's carrying amount US$'000	Fair value US$'000
Property, plant and equipment (Note 15)	**2,900**	**2,900**
Net identifiable assets acquired	**2,900**	**2,900**
Outflow of cash to acquire business, net of cash acquired:		
– cash consideration		**32,900**
Cash outflow on acquisition		**32,900**

40 TRANSACTION WITH A MINORITY SHAREHOLDER

On 15th June 2007, P-Harmony Monitors Company Limited, a subsidiary of the Company, acquired additional 20% interests in TPV Technology (Suzhou) Company Limited (formerly known as Philips Consumer Electronics Company of Suzhou Limited) 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

On 24th December 2007, CGC completed its acquisition of 200,000,000 ordinary shares of the Company from BOE Technology Group Co., Ltd. ("BOE"). On 4th June 2008, the Company issued 150,500,000 new ordinary shares to CMO.

As at 31st December 2008, the major shareholders of the Company are CEC, Philips and CMO, which owned 19.54%, 12.47% and 7.13% of the Company's issued shares respectively.

41 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties

During the years ended 31st December 2008 and 2007, 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, Philips, CMO and BOE.

All of the transactions were summarized as follows:

	2008 **US$'000**	2007 US$'000
Sales of finished goods to an associated company	**324,669**	135,434
Sales of finished goods to Philips and its subsidiaries	**1,011,302**	1,741,139
Sales of finished goods to CMO and its subsidiaries	**71,376**	–
Purchases of raw materials from BOE and its subsidiaries#	**–**	(108,049)
Purchases of raw materials from Philips and its subsidiaries	**(196,449)**	(881,903)
Purchase of raw materials from CMO and its subsidiaries	**(1,375,777)**	–
Commission paid to Philips and its subsidiaries	**–**	(64)
Commission paid to an associated company	**(831)**	(998)
Rental income from associated companies	**902**	828

Purchase of raw materials from BOE and its subsidiaries are counted up to the date when BOE disposed of its substantial interests in the Company to CEC.

The above transactions were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(b) Key management compensation

	2008 **US$'000**	2007 US$'000
Salaries and other short-term employee benefits	**1,901**	2,191
Share-based payments	**–**	61
	1,901	2,252

41 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances

	2008 US$'000	2007 US$'000
Receivable from an associated company (Note (i))		
– Envision Peripherals, Inc.	**120,141**	30,660
Receivables from substantial shareholders and their subsidiaries (Note (ii))		
– Philips and its subsidiaries	**153,158**	369,074
– CMO and its subsidiaries	**19,924**	–
	173,082	369,074
Payables to substantial shareholders and their subsidiaries (Note (iii))		
– Philips and its subsidiaries	**15,676**	125,395
– CMO and its subsidiaries	**45,115**	–
	60,791	125,395

Notes:

(i) Receivable from an associated company was presented in the consolidated balance sheet within trade receivables.

(ii) Receivables from substantial shareholders and their subsidiaries of US$151,483,000 (2007: US$352,862,000) and US$21,599,000 (2007: US$16,212,000) were presented in the consolidated balance sheet within trade receivables and deposits, prepayments and other receivables respectively.

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

42 EVENT AFTER THE BALANCE SHEET DATE

On 9th February 2009, Top Victory Investments Limited, a subsidiary of the Company, entered into a trademark license agreement with Philips, a major shareholder of the Company, for an exclusive right and license to use the word mark "Philips" and the trade mark "Brilliance" on monitors and public signage products for a term of five years. The royalty for the trademark license agreement is calculated based on the net selling price of the monitors and public signage products. The royalty has a minimum annual payment level for the entire license period of five years of US$3,200,000 to US$4,600,000 and a maximum annual payment level of US$4,000,000 and US$4,800,000 for the first and the second year of the license period, respectively.

The management expects this transaction will be completed in the second quarter of 2009.

43 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 31st March 2009.

Five Year Financial Summary

	2008	2007	2006	2005	As restated 2004
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Profit attributable to equity holders	**97,177**	180,044	151,760	149,583	103,592
Assets and liabilities					
Total assets	**3,353,653**	3,836,629	3,060,856	3,054,224	1,484,825
Total liabilities	**(1,977,253)**	(2,596,188)	(1,949,483)	(2,188,659)	(1,077,335)
Net assets	**1,376,400**	1,240,441	1,111,373	865,565	407,490

Note:

Comparative figures for the year ended 31st December 2004 have been restated to reflect the adoption of HKFRS.

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