TPV TECHNOLOGY LIMITED 冠捷科技有限公司 (Incorporated in Bermuda with limited liability)

together we thrive

ANNUAL REPORT 2009

CONTENTS

CORPORATE INFORMATION

Directors

Executive Director

Dr Hsuan, Jason
(Chairman and Chief Executive Officer)

Non-executive Directors

Mr Liu Liehong
Mr Lu Ming
Ms Wu Qun
Mr Xu Haihe
Mr Du Heping
Mr Tam Man Chi
Mr Maarten Jan de Vries
Mr Robert Theodoor Smits
Mr Chen Yen-Sung

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 Limited
Bank of America, N.A.
Bank of China Limited
Bank SinoPac Company Limited
China Construction Bank Corporation
China Merchants Bank Co. Ltd.
Chinatrust Commercial Bank, Ltd.
Industrial and Commercial Bank of China Limited
Taishin International Bank Co., Ltd.
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.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

CREATING 1 UNIVERSAL VISUAL LANGUAGE FOR A DECADE

MILESTONES

2009

Licensed to distribute Philips' brand name monitors globally

2008 & 2006

Selected to be a Fab 50 company by Forbes Asia magazine

2005

Acquired part of Philips' monitor and flat screen TV manufacturing business

2004

Become the world's largest LCD monitor manufacturer

2003

Launched our first LCD TV

2001

Became the world's second largest PC monitor manufacturer

1999

Listed in Hong Kong and Singapore

OUR NUMBERS DO THE TALKING

FINANCIAL HIGHLIGHTS

8,032.0
FY2009

9,247.0
FY2008

CONSOLIDATED REVENUE
(US$ MILLION)

141.2
FY2009

97.2
FY2008

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (US$ MILLION)

9.8
FY2009

7.4
FY2008

RETURN ON EQUITY (%)

1.86
FY2009

1.38
FY2008

DIVIDENDS PER SHARE (US CENTS)

OUR NUMBERS DO THE TALKING

FINANCIAL HIGHLIGHTS

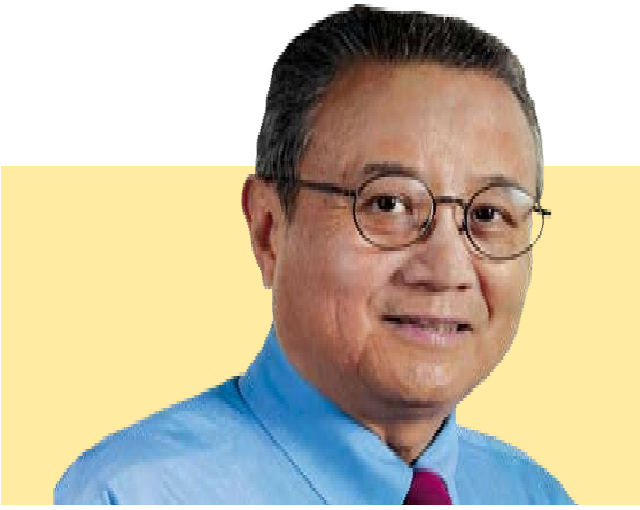
OPERATING RESULTS (US$'000)	2009	2008	2007	2006	2005
Consolidated revenue	**8,031,972**	9,247,020	8,445,151	7,176,294	5,053,953
Profit attributable to equity holders	**141,214**	97,177	180,044	151,760	149,583
Basic earnings per share (US cents)	**6.69**	4.74	9.21	7.98	9.90
Dividends per share (US cents)	**1.86**	1.38	2.82	2.48	2.72

FINANCIAL POSITION (US$'000)					
Total assets	**4,154,864**	3,353,653	3,836,629	3,060,856	3,054,224
Cash and cash equivalents	**270,438**	171,066	135,061	96,025	414,885
Total borrowings	**215,336**	603,255	788,145	416,147	578,159
Equity attributable to the Company's equity holders	**1,505,583**	1,375,624	1,240,318	1,099,065	855,856

KEY FINANCIAL RATIOS					
Inventory turnover (days)	**36.8**	36.6	48.0	45.7	32.6
Trade receivables turnover (days)	**73.8**	57.0	57.9	62.3	53.2
Trade payables turnover (days)	**69.1**	49.0	62.6	72.4	63.4
Return on equity (%)	**9.8**	7.4	15.4	15.5	26.1
Return on assets (%)	**3.8**	2.7	5.2	5.0	7.3
Current ratio (%)	**127.0**	145.1	135.6	141.6	131.9
Gearing ratio (%)	**5.2**	18.0	20.5	13.6	18.9
Interest coverage (times)	**13.4**	3.0	5.5	3.9	8.2
Dividend payout ratio (%)	**29.9**	30.0	30.7	31.8	33.7

MAKING A STATEMENT

CHAIRMAN'S STATEMENT



Last year saw the formation of many joint ventures (JVs) and partnerships between players in the display industry. This strategy is especially important in the highly competitive and dynamic market environment in which we operate. It is not enough for individual companies to simply focus on what they do best. Instead, they need to leverage on each other's strengths, pool their resources, and bring out the best in one another in order to win business.

"Together We Thrive" has always been a guiding principle of TPV's business philosophy. Besides applying it in our relationships with employees, business associates and customers, we also appreciate the major contributions that strategic alliances and JVs can make to our sustained success. TPV was at the forefront of this trend by joining forces with a number of other leading players along the industry's supply chain during 2009.

In 2009 we celebrated the 10th anniversary of our listing on the Hong Kong and Singapore exchanges. The past decade has witnessed many ups and downs in the global economy and in our business. Displays have largely changed from being CRT-based to LCD-based; and now the traditional cold cathode fluorescent lamps (CCFL)-backlit TVs are to be overtaken by the new light emitting diode (LED)-backlit LCD TVs, popularly known as LED TVs. The display industry, especially its ODM segment, has consolidated considerably. The Group and its management have weathered these changes diligently; and we have responded by taking proactive measures to turn the various challenges we have encountered into opportunities. To date, our performance shows that we have been doing the right things, and that we have remained on the right track.

The past year was no exception. It was full of challenges, as the after-effects of the 2008 financial tsunami continued to affect a lot of businesses. Thanks to the concerted efforts by governments and central banks around the world, the global economy has made a slow but steady recovery. Even though conditions remained far from ideal, it was not a bad year for TFT-LCD manufacturers in general. The industry reacted resiliently to the recovery in demand and the disruption to production caused by component shortages. It

We remain 1 strong

achieved this by rationalising its sourcing and production-planning processes. Consequently, the prices of TV and IT panels regained at least some of the ground they had lost in the second half of 2008, ending the year roughly 10 percent and 25 percent higher than at the beginning.

TPV's financial performance was in line with the economic recovery. Despite a decrease in our consolidated revenue, our gross profit margin improved considerably, and our balance sheet grew much stronger. This resulted in a satisfactory rise in the profit attributable to equity holders. Sales of LCD TVs surged in every region, and this business segment's contribution to our consolidated revenue rose further. On the other hand, the global market for PC monitors remained sluggish, and the volume of shipments during the year fell for the first time ever. TPV maintained its leading position as the largest PC monitor manufacturer in the world, and it moved up another notch to become the world's fourth-largest LCD TV manufacturer, in terms of unit shipments, and the only ODM manufacturer among the top five players.

As you will read in the following pages, TPV made a number of important advances during 2009. We successfully launched our first All-in-One (AIO) PC and LED-backlit LCD TV. Also, we considerably boosted our manufacturing footprint and capacity. We added a plant in Mexico to cover the NAFTA (North American Free Trade Agreement) markets, and it will also supplement our two existing ones in Brazil in serving the rapidly growing Latin American market.

2010 will be another exciting year for TPV. Our R&D efforts will bear fruit with the launch of our first 3D and touch-screen display products. Four recently announced JV facilities – including two JVs with LG Display Co., Ltd. (LGD) that will make PC monitors and LCD TVs from cells supplied by LGD – will come on stream. We are also gearing up for the opening of our new plant in Xiamen in the PRC. This will be our most advanced facility, with backward integrated operations in LCD module, back light and plastic injection processes.

I am sure all these ongoing developments – the technological innovations we are bringing to the marketplace; the formation of more industry partnerships that will make our vision, "Together We Thrive", an ever-stronger reality; and the further expansion of our production capacity to take full advantage of fresh opportunities as they arise – are laying excellent foundations for TPV to enjoy even greater success during the coming years.

Appreciation

Last, but not least, I would like to conclude this message by expressing my sincere appreciation to our Board of Directors and employees for all their hard work and dedication during the past year. I would also like to take this opportunity to welcome five new Directors who have joined our Board, namely Mr Liu Liehong, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping and Mr Tam Man Chi. We will all benefit greatly from their expertise. In addition, I wish to thank Mr Houng Yu-Te, who resigned as an Executive Director during 2009, for his valuable contributions, and I am happy to mention that he will continue to contribute to the success of the Group as the Chief Financial Officer.

Finally, I would also like to thank our shareholders, business associates and customers for their loyal and unwavering support during the past year.

Dr Jason Hsuan
Chairman and Chief Executive Officer

Hong Kong, 30th March 2010

and resilient company

OUR PERFORMANCE SPEAKS FOR ITSELF

MANAGEMENT DISCUSSION AND ANALYSIS

TPV's success has been built on its ability to anticipate and respond to technological innovations and market trends, thereby retaining our leadership position within the industry.

Industry Review

Business activities around the world gradually recovered in 2009 from the trough created by the financial tsunami during the second half of the previous year. In spite of that, it was still a challenging time for businesses on every continent. The World Bank estimated that global GDP, excluding that of China and India, contracted by 2.2 percent during the year, compared with growth of 4.3 percent in 2008.

In relative terms, LCD system integrators such as TPV fared much better than other component and hardware manufacturers during 2009. Following a lacklustre first quarter, demand for their products – especially LCD TVs – recovered and remained firm for the rest of the year. The increasing flow of orders, together with sporadic shortages of components, kept panel fabs running at full capacity, and panel prices rose steadily through the year, ending an average of 10 percent and 25 percent higher for TV panels and IT panels respectively, comparing to their lowest point during the first quarter.

The turbulent economic conditions led corporations to defer or cut back their IT expenditure. As a result, worldwide shipments of PC monitors amounted to just 164 million units in 2009, approximately 7 percent fewer than the 176 million shipped in the previous year. It is worth noting that monitors have already become commoditised, which means end users buy them only when they need them, and demand is less affected by seasonality or economic climate. Consequently, there was little seasonal fluctuation in last year's shipment figures, which remained flattish during the first and second halves.

On the other hand, demand for LCD TVs continued to go from strength to strength, with consecutive quarterly growth. The total number of products shipped last year increased dramatically to 145 million units, compared with 105 million in 2008.

China was the key growth driver in the global demand for both monitors and LCD TVs. PC monitor shipments there surged 33.7 percent year-on-year to 43.4 million units, while its demand for LCD TVs increased by a spectacular 106.4 percent over the previous year's figure to 27.6 million units.

In fact, year-on-year demand for LCD TVs increased in every other geographical region as well: by 21.5 percent to 36.5 million units in North America, by 8.7 percent to 42.1 million units in Europe, and by 41.4 percent to 34.2 million units in the rest of the world.

LED-backlit products have become increasingly popular, achieving penetration rates of 1 percent and 3 percent in the monitor and TV segments. The industry consensus is that their penetration rates will reach 15 percent and 10 percent, respectively, during 2010.

Company Results

TPV was not impervious to the sluggish economic conditions, which halted the revenue growth we had enjoyed in the preceding 13 years. Even so, our overall financial performance was respectable, and broadly in line with the management's expectations.

In 2009, the Group posted consolidated revenue of US$8.0 billion, a decrease of 13.1 percent from previous year's US$9.2 billion, partly due to the 24.8 percent and 13.9 percent declines in average selling prices (ASPs) for our PC monitors and LCD TVs, respectively. Our gross profit margin improved by 120 basis points to 5.8 percent, as a result of various cost-saving initiatives we implemented during the year.

Despite higher sales and research and development costs, our operating profit margin, rose by 50 basis points to 2.2 percent. Net finance costs fell by 81.2 percent from 2008's US$48.9 million to US$9.2 million, as the Group aggressively deleveraged in an uncertain economy. Profit attributable to equity holders came in at US$141.2 million, an impressive 45.3 percent higher than the

US$97.2 million we reported in 2008. Basic earnings per share were US6.69 cents against US4.74 cents the previous year.

During the year, the PC monitor business segment contributed 63.5 percent (2008: 75.8 percent) of the Group's consolidated revenue, while the contribution from LCD TV business segment continued to grow, accounting for 33.4 percent (2008: 21.3 percent) of our total sales.

As the engine of the world's economic growth, China accounted for 29.6 percent (2008: 25.8 percent) of the Group's total revenue. Because of our new strategic presence in Poland, our sales to Europe gained traction, and this region surpassed North America to contribute 28.6 percent (2008: 24.5 percent) of our revenue. North America and the rest of world accounted for 24.2 percent (2008: 27.4 percent) and 17.6 percent (2008: 22.3 percent) of our revenue, respectively.

Business Review

PC Monitors

According to DisplaySearch, the total global demand for PC monitors was 164.1 million units in 2009, which was 6.5 percent lower than in the previous year. While there was good growth in some emerging economies, such as China, India and Brazil, corporate users in developed markets like the US and Europe still felt uncertain about their business prospects, and most of them resorted to cutting costs by scaling back on their IT investments.

TPV's total PC monitor shipments dipped by 3.3 percent to 46.2 million units in 2009, lowering their contribution to our revenue by 27.3 percent to US$5.1 billion (2008: US$7.0 billion). Our ASP per unit for the year was US$110.5 (2008: US$146.9), reflecting lower component costs. On a quarterly sequential basis, our ASP remained relatively stable throughout the year, at US$102.3 during the first quarter, US$104.6 in the second quarter, US$117.8 in the third quarter and US$114.7 in the fourth quarter. This suggests the operating environment has become friendlier for everyone along the supply chain. Moreover, the migration to larger screen displays helped to mitigate the pressure of price erosion.

At the same time, our gross profit margin recovered to 6.1 percent (2008: 4.8 percent), however, gross profit dollar per unit slipped to US$6.7 (2008: US$7.1) due to lower ASP. Nevertheless, our operating margin improved by 30 basis points to 2.0 percent (2008: 1.7 percent) as we continued to streamline our production flow and enhanced efficiency. At the end of 2009, we had maintained our leading position in this quickly consolidating segment, with a market share of approximately 28.3 percent in terms of shipment volume.

In June 2009, TPV took a step forward in extending our reach to the end markets by entering into a five-year trademark licensing agreement with Philips. Pursuant to this, we have assumed responsibility for the design, sourcing, manufacturing, distribution, marketing and sales of Philips brand name monitors worldwide.

LCD TVs

During the year under review, the Group's LCD TV shipments surged by 58.5 percent to 9.5 million units (2008: 6.0 million units). Its contribution to our consolidated revenue consequently rose from 21.3 percent to 33.4 percent.

The strong growth in our LCD TV shipments was mainly attributable to better-than-expected demand in developed markets like Europe and the US, which accounted for 41.5 percent and 38.3 percent of our total shipments, respectively. At the same time, China's strong economic growth fuelled the robust demand there, and we were able to benefit from the rural subsidy programme by increasing sales of our own-brand products.

In tandem with the panel prices, the ASP of our LCD TVs fell by 13.9 percent to US$281.9 last year (2008: US$327.4). The proportion of LCD TVs with screen sizes of 32-inch or more that we shipped increased from 32.5 percent in 2008 to 41.7 percent in 2009. As a result, the weighted average screen size of the units we sold rose from 25.9 inches to 27.8 inches. Our gross profit margin improved by 130 basis points to 5.7 percent (2008: 4.4 percent).

The volume of our LCD TV sales in 2009 gave us a global market share of 6.6 percent, placing us in the fourth position among global LCD TV manufacturers. In fact, we were the only ODM among the top five.

Research and Development (R&D)

One major achievement of our R&D efforts in 2009 was the launch of our AIO PC in May 2009. By the end of the year, we had shipped 70,000 units of this new product to our customers.

We also scored a breakthrough in our ongoing product development programme by shipping our first consignment of LED-backlit monitors during the fourth quarter of 2009. Furthermore, we expanded our product line to include a full range of display sizes, from 15-inch to 65–inch.

In addition, we invested resources in the development of 3D and touch-screen displays. We delivered a small quantity of touch-screen AIOs in 2009, and will start mass-producing this product for our customers in the coming months.

Production

We also continued to invest in our manufacturing capacity, as this will prepare us for future growth. It will also strengthen our status in the industry, guarantee more timely delivery to various parts of the world, and reduce our logistical costs.

Our capital expenditure in 2009 totalled US$118.4 million. One of the key investment areas was our plant at Gorzow, Poland, the first we owned in Europe, which began mass production during the second half of 2008. It is now fully operational, with an annual capacity of 4.5 million units of LCD TVs and multi-functional monitors. The plant's location gives us a distinct advantage in Europe, and it was the main driver of the remarkable growth in our LCD TV sales there during 2009. We will further increase the Gorzow plant's annual capacity to 10 million units, and we will equip it with LCD module assembly capabilities through a joint-venture arrangement with the AU Optronics Corporation during 2010.

Currently, we have two factories in Brazil to support this fast-growing market. Between them, they processed 1.9 million PC monitors and 300,000 LCD TVs in 2009. In July 2009, we completed the purchase of another factory, in Mexico, where we plan to have an initial capacity of 700,000 units a year to serve the large-screen LCD TV requirements of North and South America.

In addition, we took over a new 450,000 square metre plant in Xiamen, PRC, in August 2009. Located next to a deep-water port and surrounded by a cluster of key suppliers, this plant will also be our most advanced facility, with the ability to undertake backward integrated operations in LCD module assembly, backlights and plastic injection through various joint-venture arrangements.

Finally, we closed our Ningbo plant in 2009, due to the strategic reallocation of our manufacturing resources.

In line with our backward integration strategy, we increased our in-house production of LCD modules to 17.8 million units, as well as 5.0 million units of backlight units during 2009. Our target for the coming year is to process a total of 20 million LCD modules and 10 million backlight units.

As of December 31, 2009, TPV had an annual global production capacity of 75.2 million units PC monitors and 15.8 million units of LCD TVs.

Joint Ventures

Apart from expanding our manufacturing footprint, the Group continued to acquire know-how and technologies, in order to strengthen our manufacturing capability in the competitive landscape in which we operate. One of our key strategies for achieving this is by entering into strategic alliances and joint ventures.

To this end, we announced the formation of two joint ventures with one of the world's foremost panel suppliers, LGD. In November 2009. One of these will focus on LCD TVs, and the other on PC monitors. These two JVs will be located in our Xiamen and Fuqing plants, and they will commence operations in April 2010. This partnership with LGD will ensure that the two JVs have captive and stable panel supplies to satisfy the needs of our customers at all times.

In addition, TPV joined Inventec Corporation, a leading notebook manufacturer, in exploring the market potential of AIO PCs, thereby allowing us to leverage on each other's capabilities and know-how in the PC and display areas, and shortening the learning curve required to bring competitive products to the market.

Workforce

As at 31st December 2009, TPV employed 29,479 people worldwide, approximately the same number as a year earlier. All our employees were remunerated in accordance with industry practice in the locations where they worked.

The Group provides regular training to its staff members and encourages them to engage in lifelong learning and self-development, thus ensuring our competitiveness in an ever-changing market environment.

Mindful of the tremendous value of skilled and experienced workers, and the increasingly tight labour market in China, we introduced enhanced welfare benefits and compensation schemes to attract and retain these valuable assets to TPV's business.

Outlook

We are cautiously optimistic about the prospects for the growth of our business in 2010, although much depends on whether the global economic recovery continues in the coming months, as the world's leading economic experts are forecasting. If that is the case, we can expect a resurgence in corporate IT spending, which will in turn fuel the demand for PC monitors, especially during the second half of the year.

The market for LCD TVs is likewise expected to continue growing strongly, reaching 180 million units in 2010, a 24 percent increase on the 2009 figure. This segment is likely to be the key driver of the company's growth in the coming year.

Meanwhile, the world's top-tier TV brands will continue to respond to cost pressures by outsourcing more of their production. In 2008 and 2009, they outsourced the manufacturing of 15 percent and 25 percent of their products respectively, and the figure is likely to rise to 30 percent in 2010. TPV has been benefiting from this trend, and we have already established a strong presence in this sector.

China has particularly good potential for the growth of our share of outsourcing. To date, most brands there have been keen to make optimal use of their own manufacturing capacity by keeping most of their production in-house. However, they are coming under growing pressure to lower their prices as the result of aggressive efforts by foreign brands to build their market shares in the country. We will further enhance our cost structure by continuously expanding our production capacity and the automation of our production lines, so that we can position ourselves to offer extremely competitive outsourcing services to these cost-conscious brands.

The popularity of LED-backlit products is growing fast too, and the development of new applications is set to stimulate demand for them further in the coming years. Meanwhile, commercialisation is driving down their cost, thus narrowing the price gaps between them and ordinary CCFL-backlit and LED-backlit products. This will help to make them more attractive and affordable for consumers who wish to upgrade by replacing their existing equipment. In fact, the number of LED-backlit LCD TVs are estimated at 10 percent of the global demand in 2010, while LED-backlit LCD monitors are expected to account for 15 percent.

OUR PERFORMANCE SPEAKS FOR ITSELF

MANAGEMENT DISCUSSION AND ANALYSIS

At present, most TV brand owners manufacture their LED-backlit LCD TVs in-house, due to the attractive margins they can enjoy on them during this early stage in their product lifecycles. However, in line with traditional product lifecycle trends for most consumer electronics, the day will soon arrive when manufacturing of LED-backlit LCD TVs is outsourced too.

In summary, we feel positive about the outlook for our business in the coming year. The global economy's recovery is likely to give companies and individuals more money to spend, and greater confidence about spending it. The technological and manufacturing trends mentioned above will work increasingly in our favour, especially as we have been taking the right measures to increase our capacity to cater to growing demand.

As far as panel prices are concerned, these were quite strong in the first quarter of 2010, due to robust demand in China and restocking by vendors for sales during the Lunar New Year period. While the second quarter may be flat, we expect demand to rise again throughout the third and fourth quarters, in line with the market's usual seasonal trends.

TPV's success has been built on its ability to anticipate and respond to technological innovations and market trends, thereby retaining our leadership position within the industry. As a result, our shares have consistently outperformed the Hang Seng Index throughout the 10 years since we were listed. We believe our ongoing and prospective new projects position us to enhance our status further and increase the value we provide to our shareholders during 2010.

Developments since the financial year-end

There have been several developments involving shareholdings in TPV since the end of the year under review. One of our major shareholders, China Electronics Corporation (CEC) has increased its stake in TPV by purchasing a further 9.47 percent of the company's equity from Philips. Mitsui, a Japanese conglomerate with diversified trading operations, has also taken a strategic shareholding in the company. These transactions have substantially altered the company's shareholding structure and, in accordance with listing rules, CEC and Mitsui have made a joint general offer to buy the shares of other TPV shareholders at a price of HK$5.20 per share.

The greater participation of China's largest electronics group and the involvement of Japan's largest trading company in TPV undoubtedly represent a strong expression of their confidence in our company and its future. The strength and influence of these two major players in the business community will also give us a more solid foundation for future growth.

Liquidity, Financial Resources and Capital Structure

As at 31st December 2009, the Group's cash and bank balances totalled US$270.4 million, compared to US$171.1 million 12 months earlier. Credit facilities granted by banks amounted to US$4.3 billion (31st December 2008: US$4.5 billion), of which US$0.74 billion were utilized (31st December 2008: US$1.06 billion).

The Group's operations generated a positive operating cash flow of over US$600 million in 2009. Some of this cash was used to pay down our debts, in order to increase our staying power in an uncertain economy. All our outstanding bank debts were borrowed on a floating-rate basis.

The maturity profile of our debts as of 31st December 2009 was as follows:

Duration	2009 US$'000	2008 US$'000
Within one year	**209,212**	397,240
In the second year	**6,124**	206,015

Our inventory turnover days stood at 36.8 days at the end of December 2009 (31st December 2008: 36.6 days). Trade receivable turnover days and trade payable turnover days both lengthened, to 73.8 days (31st December 2008: 57 days) and 69.1 days (31st December 2008: 49 days), respectively.

The Group's gearing ratio, representing the ratio of total borrowing to total assets, dropped significantly to 5.2 percent from 18.0 percent in 2008. The current ratio was 127 percent versus 145.1 percent.

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Japanese Yen, Euros, Brazilian Real, Indian Rupee and Mexican Peso. Foreign exchange risk arises from future commercial transaction, 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 for 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, we have set out strict guidelines, against any speculative trades in derivative products.

The total notional principal amounts of the outstanding foreign exchange forward contracts as at 31st December 2009 are as follows:

	2009 US$'000	2008 US$'000
Sell Renminbi for US dollars	**2,853,000**	4,045,500
Sell US dollars for Renminbi	**2,858,000**	4,268,000
Sell Japanese Yen for US dollars	**5,800**	19,550
Sell Euros for US dollars	**73,719**	24,753
Sell Brazilian Real for US dollars	**42,500**	-
Sell Indian Rupee for US dollars	**10,000**	-
Sell HK dollars for US dollars	**3,000**	-
Sell Mexican Peso for US dollars	**1,400**	-
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 2009.

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 19 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 for the year are set out in the consolidated income statement on page 38.

The directors had declared an interim dividend of US0.60 cent per ordinary share, totalling approximately US$12,668,000 which was paid on 21st October 2009.

The directors recommend the payment of a final dividend of US1.26 cents per ordinary share, totalling approximately US$29,558,000 in respect of the year ended 31st December 2009.

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, 26th May 2010.

The dividend cheques will be distributed to shareholders on or about Tuesday, 8th June 2010.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in note 27 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 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the investment properties are set out in note 18 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$489,000.

SHARE CAPITAL

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

(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.

SHARE OPTION (Continued)

(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 2009, 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 2009 and options exercised and lapsed during the year were as follows:

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 01/01/2009	Exercised	Lapsed	As at 31/12/2009
Directors							
Dr Hsuan, Jason	20/05/2004	4.735 (Note 1)	08/06/2007–19/05/2009	1,500,000	0	(1,500,000)	0
Mr Chan Boon-Teong	12/12/2007	5.750 (Note 2)	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 2)	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 2)	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 Houng Yu-Te (Resigned on 13th October 2009)	20/05/2004	4.735 (Note 1)	08/06/2005–19/05/2009	600,000	0	(600,000)	0
			08/06/2006–19/05/2009	900,000	0	(900,000)	0
			08/06/2007–19/05/2009	1,500,000	0	(1,500,000)	0
Employees	20/05/2004	4.735 (Note 1)	08/06/2005–19/05/2009	4,948,800	0	(4,948,800)	0
			08/06/2006–19/05/2009	14,659,000	0	(14,659,000)	0
			08/06/2007–19/05/2009	38,288,000	0	(38,288,000)	0
	12/12/2007	5.750 (Note 2)	12/12/2008–11/12/2012	4,240,805	0	(169,200)	4,071,605
			12/12/2009–11/12/2012	6,361,208	0	(253,800)	6,107,408
			12/12/2010–11/12/2012	10,602,013	0	(423,000)	10,179,013
				84,599,826	0	(63,241,800)	21,358,026

Notes:

(1) 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. The exercisable period of these options expired on 19th May 2009.

(2) 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.

REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2009, including contributed surplus, amounted to approximately US$109,478,000.

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 108.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year ended 31st December 2009. 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.

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	(resigned on 13th October 2009)
Non-executive Directors	
Mr Liu Liehong	(appointed on 13th October 2009)
Mr Lu Ming	
Ms Wu Qun	(appointed on 13th October 2009)
Mr Xu Haihe	(appointed on 13th October 2009)
Mr Du Heping	(appointed on 13th October 2009)
Mr Tam Man Chi	(appointed on 13th October 2009)
Mr Maarten Jan de Vries	
Mr Robert Theodoor Smits	
Mr Chen Yen-Sung	(appointed on 31st March 2009)
Dr Kuo Chen-Lung	(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, Dr Hsuan, Jason, Mr Chan Boon-Teong and Dr Ku Chia-Tai will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

(2) In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr Liu Liehong, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping and Mr Tam Man Chi will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

DIRECTORS (Continued)

(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 66, 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. Dr Hsuan was appointed as a non-executive director of Nanjing Panda Electronics Company Limited in December 2009. Dr Hsuan is the brother-in-law of Dr. Chen Nai Yung, Vice President and Chief Information Officer of the Group.

Non-executive Directors

Mr Liu Liehong

Aged 41, graduated from Xi An Transport University with a master's degree in business administration and received titles of senior engineer and researcher. Currently, he is the General Manager of China Electronics Corporation and the Chairman of the board of China Electronics Industry Corporation and CEC Corecast Company Limited. He was the President of China Center for Industry Development, Deputy General Manager of China Electronics Technology Corporation, the Director of No.2 Research Institution and Vice-Director of No.29 Research Institution. He has got a series of awards, including "Outstanding young scientist of Shan Xi province", "Outstanding Young Entrepreneurs of Shan Xi province" and "Outstanding personal award of Shan Xi province". He is very experienced in managing large enterprises. Mr Liu was appointed as a non-executive director of the Company in October 2009.

Mr Lu Ming

Aged 60, 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 28 years of experience in technology and information field. Mr Lu was appointed as a non-executive director of the Company in December 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-executive Directors (Continued)

Ms Wu Qun

Aged 50, graduated from the Research Institute of China Finance Ministry with a Doctor Degree in Accounting and received title of vice-researcher. Currently, she is the General Manager of China Electronics Corporation's asset management department, the Chairman of the broad of CEC Huahong International Company Limited, the Director of Huahong Group and China Integrated Circuit Design (Group) Corporation Limited and Supervisor of Great Wall Information Industry Company Limited. She was previously appointed as the Deputy General Manager of CEC Asset Management Department, the General Manager of China Electronics Industry Corporation finance department, the Director of Management and Consulting Department of Deloitte Touché Tohmatsu CPA Limited, the Director of Deloitte Beijing Substation Department of Risk Management, Chief of China Finance Ministry research center. She has great experience in capital and asset management. Ms Wu was appointed as a non-executive director of the Company in October 2009.

Mr Xu Haihe

Aged 55, graduated from China Central Finance and Economics College with a major in accounting and received a title of senior accountant. He is the General Manager of Finance Department of China Electronics Corporation, the Director of Shenzhen SED Electronics (Group) Company Limited, China National Software and Service Company Limited and CEC Corecast Company Limited. He was the General Manager of China National Electronics Materials Corporation. Mr Xu has extensive experience in enterprise managing and financial managing. Mr Xu was appointed as a non-executive director of the Company in October 2009.

Mr Du Heping

Aged 55, the Chairman of China Great Wall Computer Shenzhen Company Limited. He is an in-service postgraduate from the economics management specialty of Central Party School, and is also a Senior Business Operator. He is the President in Great Wall Technology Company Limited and is also a director of Shenzhen Kaifa Technology Company Limited and Guilin Changhai Technology Company Limited, a member of the 4th Shenzhen Municipal People's Congress, the Chairman of Shenzhen Computer Industry Association, the Vice Chairman of the China Quality Management Association for electronic industry, the Vice Chairman of Shenzhen Municipal Science and Technology Association, the Vice Chairman of Shenzhen Computer Society, and the Chairman of the Association of Volunteers for Science Popularization in Shenzhen. He has been the Vice President and the Secretary to the board of directors of China Great Wall Computer Shenzhen Company Limited, the Deputy General Manager of China Great Wall Computer Shenzhen Company, the Organizing Officer in charge and Factory Manager of Great Wall Power Supplies Factory. Mr Du has been awarded the title of "Outstanding Persons on the Nation's Frontier", and has also received the title of model worker in Shanxi Province. Mr Du has received Science Technology Advance Award from the Ministry of Machinery and Electronics Industry and Science Technology Advance Award in Shenzhen several times. He has extensive experiences in science and technology development, production management and quality management. Mr Du was appointed as a non-executive director of the Company in October 2009.

Mr Tam Man Chi

Aged 62, is an Executive Director of Great Wall Technology Company Limited, the Director of China Great Wall Computer Shenzhen Company Limited, the Chairman and Managing Director of Shenzhen Kaifa Technology Co., Limited, the Director and President of Shenzhen Kaifa Magnetic Recording Company Limited, the Director of Kaifa Technology (H.K.) Limited, O-Net Communications Limited, ExcelStor Group Limited and Shenzhen ExcelStor Technology Limited, the Chairman of the board of O-Net Communications (Shenzhen) Company Limited and Shenzhen Hailiang Storage Products Co., Ltd., the Vice-Chairman of the board of Shenzhen Donghong Kaifa Magnetic Disk Company Limited. Mr Tam was awarded Shenzhen Honor Citizen in 1994, won the National Friendship Award in 1995 and the Excellent Worker title of Guangdong Province in 2006. He has extensive experience in research and development and business administration. Mr Tam was appointed as a non-executive director of the Company in October 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-executive Directors (Continued)

Mr Maarten Jan de Vries

Aged 48, 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 24 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 58, 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 32 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.

Mr Chen Yen-Sung

Aged 44, 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.

Independent Non-executive Directors

Mr Chan Boon-Teong

Aged 67, 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 39 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 67, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-executive Directors (Continued)

Mr Wong Chi Keung

Aged 55, holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of 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 is also a Responsible Officer for asset management, advising on securities and advising on corporate finance for Sinox Fund Management Limited under the SFO of Hong Kong.

Mr Wong was as an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited), a company listed on the Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (provisional liquidators appointed), FU JI Food and Catering Services Holdings Limited (provisional liquidators appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited and Regal Hotels International Holdings Limited, all of these companies are listed on the Exchange. Mr Wong has over 33 years of experience in finance, accounting and management. Mr Wong was appointed as an independent non-executive director of the Company in August 2004.

Senior Management

Mr Houng Yu-Te

Aged 63, Senior Vice President and Chief Financial Officer, is responsible for the Group's general administration and financial operations. Mr Houng holds a bachelor's degree in accounting from Soochow University, Taiwan. Before joining the Group in December 1996, he gained audit and finance experience from an international accounting firm in Taiwan and had worked for a number of companies for over 29 years in charge of the accounting and financial operations.

Mr Hsieh Chi Tsung

Aged 58, 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 electronics corp. in Taiwan as purchasing supervisor for over 23 years.

Mr Lu, Being-Chang

Aged 63, 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.

Mr Lee Neng Sung

Aged 59, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Mr Lu Che Chiang

Aged 51, 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 28 years of experience in research and development.

Dr Chen Nai Yung

Aged 60, 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, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS

As at 31st December 2009, 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 (Note 1)	26,754,803

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.

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

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, as at 31st December 2009, 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 2009, the Company has no ultimate holding company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2009, 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 (H.K.) Holding Limited	370,446,000 (note 2)	Nil
China Great Wall Computer (Shenzhen) Company Limited	570,446,000 (note 2)	Nil
Great Wall Technology Company Limited	570,446,000 (note 2)	Nil
China Great Wall Computer Group Company	570,446,000 (note 2)	Nil
China Electronics Corporation	570,446,000 (note 2)	Nil
Chi Mei Optoelectronics Corporation	150,500,000 (note 3)	Nil
Chi Mei Corporation	150,500,000 (note 3)	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) Among these shares, 370,446,000 shares are held by China Great Wall Computer (H.K.) Holding Limited ("CGCHK"). CGCHK is a wholly-owned subsidiary of China Great Wall Computer Shenzhen Company Limited ("CGC"). The remaining 200,000,000 shares are held by CGC. CGC is owned as to 47.82 percent by Great Wall Technology Company Limited ("GWT"). GWT is a company owned as to 62.11 percent by China Great Wall Computer Group Company, which is a wholly-owned subsidiary of China Electronics Corporation ("CEC").

(3) These shares are held by Chi Mei Optoelectronics Corporation ("CMO"). CMO is owned as to 28.21 percent by Chi Mei Corporation ("CMC"), and as to 7.42% by Linklinear Development Co. Ltd., which in turn is owned as to 54.22 percent by CMC.

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	22.7%
— five largest suppliers combined	68.8%

Sales

— the largest customer	8.8%
— five largest customers combined	37.3%

Philips, being a substantial shareholder of the Company, has beneficial interest in one of the five largest customers 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 and Circular to shareholders dated 23rd October 2009 (the "2009 Circular")).

CONNECTED TRANSACTIONS (Continued)

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

At the special general meeting of shareholders held on 2nd August 2005 and 25th November 2009, 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 2009 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$640,686,000	US$5,822,000,000
(ii)	the purchase of Components (as defined in the 2009 Circular) by the Group from the Philips Group under the Component Sourcing Agreement	US$284,659,000	US$568,000,000

(b) non-exempt continuing connected transactions which comprise the transactions contemplated under the Trademark License Agreement (details of which are contained in the Circular to shareholders dated 17th February 2009 (the "February 2009 Circular")).

At the special general meeting of shareholders held on 6th March 2009, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of these continuing connected transactions for the year ended 31st December 2009 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	Royalties payable to the Philips Group by the Group for using the Philips Trademarks (as defined in the February 2009 Circular) under the Trademark License Agreement	US$4,000,000	US$4,000,000

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 2009 has not exceeded their respective Annual Caps.

The board of directors of the Company have engaged the auditors to perform certain agreed-upon procedures on the aforesaid continuing connected transactions on a sample basis and the auditors have, 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.

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, 30th March 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31st December 2009, the Company complied with all the provisions of the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Listing Rules, except for deviations from provisions A.2.1 and A.4.1 of the CG Code, the reasons for which are explained below.

The Board will continue to review and further improve the Company’s corporate governance practices and standards, so as to ensure that its 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 it oversees the Group’s businesses, strategic decisions and performance. The Board has delegated authority and responsibility for managing the Group’s day-to-day business to its management. In addition, the Board has delegated various responsibilities to Board committees. Further details of these committees are set out in this report.

The Board holds four regular meetings a year, at quarterly intervals, and it also meets as and when required in between them. The dates of the regular meetings are scheduled during the preceding year, in order to give all the directors sufficient notice to allow them to attend. The Board held eight meetings during 2009. The attendance of individual directors at these meetings was as follows:

Name of director	Number of Board meetings held during the director’s term of office in 2009	Number of Board meetings attended
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	8	8
Mr Liu Liehong (appointed on 13th October 2009)	1	1
Mr Lu Ming	8	7
Ms Wu Qun (appointed on 13th October 2009)	1	1
Mr Xu Haihe (appointed on 13th October 2009)	1	0
Mr Du Heping (appointed on 13th October 2009)	1	0
Mr Tam Man Chi (appointed on 13th October 2009)	1	1
Mr Maarten Jan de Vries (Note 1)	8	6
Mr Robert Theodoor Smits (Note 2)	8	5
Mr Chen, Yen-Sung (appointed on 31st March 2009)	5	4
Mr Chan Boon-Teong	8	8
Dr Ku Chia-Tai	8	8
Mr Wong Chi Keung	8	7
Mr Houng Yu-Te (resigned on 13th October 2009)	6	6
Dr Kuo Chen-Lung (resigned on 31st March 2009)	3	2

Notes:

(1) Mr Maarten Jan de Vries abstained from attending one Board meeting to avoid possible conflicts of interest.

(2) Mr Robert Theodoor Smits abstained from attending one Board meeting to avoid possible conflicts of interest.

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

THE BOARD (Continued)

The Company enables the directors, upon reasonable request and in appropriate circumstances, to seek independent professional advice at the Company's expense. The Board shall resolve to provide separate appropriate independent professional advice to the directors, in order to assist them in discharging their duties.

The Company has arranged for appropriate liability insurance to indemnify directors for liabilities arising from their 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 the management. Such a structure provides many of the benefits of having a separate chairman and chief executive officer. It includes:

— Having a majority of non-executive directors and independent non-executive directors on the Board;

— Having an Audit Committee consisting solely of independent non-executive directors;

— Having a majority of independent non-executive directors on the Remuneration Committee; and

— Ensuring that independent non-executive directors have free and direct access to the Company's management, internal audit division, external auditors and independent professional advisers, whenever it is considered necessary.

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

BOARD COMPOSITION

During the year, the Board consisted of two executive directors, namely Dr Hsuan, Jason (Chairman) and Mr Houng Yu-Te (who resigned on 13th October 2009), ten non-executive directors, namely Mr Liu Liehong (who was appointed on 13th October 2009), Mr Lu Ming, Ms Wu Qun (who was appointed on 13th October 2009), Mr Xu Haihe (who was appointed on 13th October 2009), Mr Du Heping (who was appointed on 13th October 2009), Mr Tam Man Chi (who was appointed on 13th October 2009), Mr Maarten Jan de Vries, Mr Robert Theodoor Smits, Mr Chen, Yen-Sung (who was appointed on 31st March 2009) and Dr Kuo Chen-Lung (who resigned on 31st March 2009) and three independent non-executive directors, namely Mr Chan Boon-Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.

Brief biographical particulars of the directors, together with information regarding 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 in the decision-making process.

BOARD COMPOSITION (Continued)

Apart from annual confirmations of independence, which were made by the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, the Company also received quarterly confirmations of independence from these directors. The Board assessed the independence of the 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 taken to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code.

The Board also considers that determination of the appointment and removal of directors should be in accordance with its collective decision. Consequently, it does not intend to adopt the recommended best practice of the CG Code to set up a nomination committee for the time being.

NOMINATION OF DIRECTORS

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

In 2009, the Board of Directors reviewed and approved the appointments of Mr Liu Liehong, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping, Mr Tam Man Chi and Mr Chen, Yen-Sung, and the resignations of Mr Houng Yu-Te and Dr Kuo Chen-Lung. The Board of Directors also discussed and reviewed the senior management succession plan.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is enabled to have a proper understanding of the operations and business of the Group and full awareness of his or her responsibilities and ongoing obligations under the Listing Rules, applicable legal requirements, and other regulatory requirements, as well as the Company's corporate governance policies. Throughout their tenure, the directors are provided with updates on legal and regulatory developments, business and market changes, and the Group's strategic development, in order to facilitate them in discharging their responsibilities.

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

The independent non-executive directors take an active role in Board meetings, and they make sound judgments on issues of strategy, policy, performance, accountability, resources, and standards of conduct. They take the lead when potential conflicts of interest arise. They are also core members of the Company's Board committees.

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"), the terms of which no less exacting than the required standards 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 the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the year ended 31st December 2009.

Relevant employees who are likely to be in possession of unpublished price-sensitive information regarding 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. The terms of the RE Code are likewise no less exacting than the required standards set out in the Model Code.

SUPPLY OF AND ACCESS TO INFORMATION

The Chairman and Chief Executive Officer periodically present the Group's updated strategies and objectives at Board meetings, to ensure that all the directors are aware of the targets the Group has achieved.

The management is obliged to supply the Board and its committees with adequate information in a timely manner, so as to enable them to make informed decisions. If any director requires more information than is supplied by the management, he or she will have separate and independent access to the company secretary and management in order to make further enquires, if necessary.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established the Remuneration Committee with specific written terms of reference that are in line with the relevant 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, an independent non-executive director who also serves as chairman of the Audit Committee. The other members of the Remuneration Committee are Dr Ku Chia-Tai and Mr Wong Chi Keung, both of whom are independent non-executive directors of the Company, Lu Ming is a non-executive director of the Company and Dr Hsuan, Jason, the Chairman and Chief Executive Officer of the Company. The Remuneration Committee held three meetings during 2009. The attendance of individual members at Remuneration Committee meetings was as follows:

Name of director	Number of attendances
Mr Chan Boon-Teong *(chairman of the Remuneration Committee)*	3/3
Dr Ku Chia-Tai	3/3
Mr Wong Chi Keung	3/3
Mr Lu Ming	1/1
Dr Hsuan, Jason	3/3

During its meetings, the Remuneration Committee discussed and reviewed the remuneration packages of the directors, and the remuneration policy regarding the senior management and other employees of the Group in 2009. To avoid conflicts of interest, the directors' fees of independent non-executive directors were discussed and approved by the full Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

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

Details of the directors' and senior management's emoluments are set out in Note 9 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 fulfil its duties, including the right to obtain appropriate external advice at the Company's expense. The Company provides the Remuneration Committee with sufficient resources 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 continued to adopt the going concern approach in preparing the financial statements of the Company.

Since June 2000, the Company has been publishing its financial results on a quarterly basis to enhance transparency about its performance and to give details about the latest developments within the Group.

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 36 to 37.

INTERNAL CONTROLS

The Board has overall responsibility for the Group's internal control system, and for reviewing its effectiveness. The Board is committed to implementing an effective and efficient internal control system to safeguard the interests of shareholders and the Group's assets against unauthorised use and disposition, to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and to 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 in accordance with an integrated internal control framework that is consistent with the COSO (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 Group's system of internal controls on an ongoing basis through the Group Internal Audit Department.

During the year ended 31st December 2009, the Board conducted a review of the effectiveness of the Group's internal control system. This covered all material controls, including financial, operational and compliance controls, and risk management functions. The review was 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 2009, 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 enhance the Group's internal control policies, procedures and practices further.

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

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference that are in line with the relevant provisions of the CG Code.

All members of the Audit Committee are independent non-executive directors. Between them, they 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, and its other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. The Committee held four meetings in 2009. The attendance of its individual members at these meetings was as follows:

Name of director	Number of attendance
Mr Chan Boon-Teong *(chairman of the Audit Committee)*	4/4
Dr Ku Chia-Tai	4/4
Mr Wong Chi Keung	4/4

The work performed by the Audit Committee during the year included:

— Meeting with external auditors to discuss the scope of their audit;

— Reviewing and revising its terms of reference to conform to the CG Code;

— Reviewing and recommending the annual financial statements for the year ended 31st December 2008;

— Reviewing and recommending the interim financial statements for the six months ended 30th June 2009;

— Reviewing the quarterly results;

— Reviewing the accounting policies adopted by the Group;

— Monitoring and analysing connected transactions entered into by the Group during the year;

— Reviewing and approving the internal audit plan for 2010;

— Reviewing and approving internal audit reports and the system of internal control and related financial control, and discussing these subjects with the management;

— Reviewing and recommending the appointment of external auditors;

AUDIT COMMITTEE (Continued)

— Implementing policies concerning the engagement of external auditors to provide non-audit services; and

— Monitoring any possible areas of fraud and illegal risk.

The minutes of Audit Committee meetings are kept by the company secretary. Draft and final versions of the minutes of Audit Committee meetings are sent to all its members for their comment and records, respectively.

The Audit Committee regularly meets the external auditors to discuss any areas of concern regarding the audits and reviews. It reviews the quarterly, interim and annual results before these are submitted to the Board. In reviewing the Company's financial results, the Committee focuses not only on the impact of changes in accounting policies and practices, but also on compliance with accounting standards, Listing Rules and legal requirements.

The Board agreed with the Audit Committee's proposal to re-appoint Messrs PricewaterhouseCoopers as the Company's external auditor for the year 2010. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 4th June 2010.

The Company provides the Audit Committee with sufficient resources, including the advice of the external auditors and internal auditors, to enable it to discharge its duties.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs PricewaterhouseCoopers, was as follows:

Services rendered	Fee paid/payable US$'000
Audit service	1,048
Non-audit services	
— Tax consulting fee	756
— Other	43
	1,847

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to its management; and its division heads are responsible for various 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 the Board's approval prior to publication, execution of the 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 for its performance to its shareholders. They include annual reports and interim reports, quarterly results announcements and annual general meetings.

The management personnel responsible for investor relations hold regular meetings with the 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

Since May 2005, the chairman of general meetings has voluntarily required poll voting for all resolutions put to those meetings. Separate resolutions on each substantially separate issue, including the election of individual directors, are proposed at general meetings.

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 Company's annual report. The circular also contains relevant details of resolutions, including an explanatory statement in relation to the general mandate for the repurchase of shares and the biographies of retiring directors who are standing for re-election at annual general meetings.

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

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 107, which comprise the consolidated and company balance sheets as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

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 2009 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, 30th March 2010

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2009

	Note	2009 US$'000	2008 US$'000
Revenue	5	**8,031,972**	9,247,020
Cost of goods sold		**(7,562,253)**	(8,818,588)
Gross profit		**469,719**	428,432
Other income	6	**22,715**	31,267
Realized and unrealized (losses)/gains on foreign exchange forward contracts — net		**(13,334)**	120,619
Net exchange gains/(losses)		**38,734**	(55,150)
Others		**11,968**	(24,259)
Other gains — net	7	**37,368**	41,210
Selling and distribution expenses		**(175,548)**	(167,984)
Administrative expenses		**(93,934)**	(112,687)
Research and development expenses		**(80,152)**	(67,335)
Operating profit	8	**180,168**	152,903
Finance income	10	**4,428**	2,433
Finance costs	10	**(13,633)**	(51,332)
Finance costs — net		**(9,205)**	(48,899)
Share of profits less losses of associated companies		**3,483**	3,288
Profit before income tax		**174,446**	107,292
Income tax expense	11	**(31,969)**	(9,712)
Profit for the year		**142,477**	97,580
Attributable to:			
Equity holders of the Company	12	**141,214**	97,177
Minority interest		**1,263**	403
		142,477	97,580
Earnings per share for profit attributable to the equity holders of the Company	13		
— Basic		**US6.69 cents**	US4.74 cents
— Fully diluted		**US6.25 cents**	US4.54 cents
Dividends	14	**42,226**	29,137

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2009

	2009 US$'000	2008 US$'000
Profit for the year	**142,477**	97,580
Other comprehensive income/(expense):		
Fair value gains/(losses) on available-for-sale financial assets	**3,410**	(3,210)
Exchange differences	**6,984**	(5,760)
Other comprehensive income/(expense) for the year	**10,394**	(8,970)
Total comprehensive income for the year	**152,871**	88,610
Attributable to:		
— Equity holders of the Company	**151,608**	88,207
— Minority interest	**1,263**	403
Total comprehensive income for the year	**152,871**	88,610

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

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2009

	Note	2009 US$'000	2008 US$'000
Assets			
Non-current assets			
Intangible assets	15	**408,045**	389,366
Property, plant and equipment	16	**366,845**	334,844
Land use rights	17	**23,797**	16,000
Investment properties	18	**11,899**	15,912
Interests in associated companies	20	**18,006**	14,523
Available-for-sale financial assets	21	**3,177**	3,031
Deferred income tax assets	29	**11,690**	15,712
		843,459	789,388
Current assets			
Inventories	22	**856,213**	669,978
Trade receivables	23	**1,881,460**	1,366,436
Deposits, prepayments and other receivables	23	**280,885**	229,764
Financial assets at fair value through profit or loss	24	**2,920**	275
Current income tax recoverable		**657**	6,182
Derivative financial instruments	33	**18,832**	120,364
Pledged bank deposit	25	**—**	200
Cash and cash equivalents	25	**270,438**	171,066
		3,311,405	2,564,265
Total assets		**4,154,864**	3,353,653
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**21,112**	21,112
Other reserves	27	**1,454,913**	1,343,956
Proposed final dividend	27	**29,558**	10,556
		1,505,583	1,375,624
Minority interest		**2,039**	776
Total equity		**1,507,622**	1,376,400

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2009

	Note	2009 US$'000	2008 US$'000
Liabilities			
Non-current liabilities			
Borrowings	28	**6,124**	206,015
Pension obligations	30	**5,061**	4,590
Other payables and accruals		**28,759**	—
		39,944	210,605
Current liabilities			
Trade payables	31	**1,931,721**	929,623
Other payables and accruals		**367,299**	266,682
Current income tax liabilities		**14,220**	9,793
Warranty provisions	32	**67,272**	56,945
Derivative financial instruments	33	**17,574**	106,365
Borrowings	28	**209,212**	397,240
		2,607,298	1,766,648
Total liabilities		**2,647,242**	1,977,253
Total equity and liabilities		**4,154,864**	3,353,653
Net current assets		**704,107**	797,617
Total assets less current liabilities		**1,547,566**	1,587,005

Dr Hsuan, Jason
Director

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

BALANCE SHEET

AS AT 31ST DECEMBER 2009

	Note	2009 US$'000	2008 US$'000
Assets			
Non-current assets			
Intangible assets	15	**215**	268
Investments in subsidiaries	19	**797,710**	796,135
		797,925	796,403
Current assets			
Deposits, prepayments and other receivables	23	—	1,812
Amounts due from subsidiaries	19	**215,714**	421,939
Cash and cash equivalents	25	**1,190**	320
		216,904	424,071
Total assets		**1,014,829**	1,220,474
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	**21,112**	21,112
Other reserves	27	**753,055**	755,448
Proposed final dividend	27	**29,558**	10,556
		803,725	787,116
Liabilities			
Non-current liabilities			
Borrowings	28	—	206,015
Current liabilities			
Other payables and accruals		**1,892**	2,343
Borrowings	28	**209,212**	225,000
		211,104	227,343
Total liabilities		**211,104**	433,358
Total equity and liabilities		**1,014,829**	1,220,474
Net current assets		**5,800**	196,728
Total assets less current liabilities		**803,725**	993,131

Dr Hsuan, Jason
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 2009

	Note	Share capital US$'000	Other reserves US$'000	Minority interest US$'000	Total US$'000
Balance at 1st January 2008		19,647	1,220,671	123	1,240,441
Comprehensive income:					
Profit for the year		—	97,177	403	97,580
Other comprehensive expense:					
Net fair value losses on available-for-sale financial assets		—	(3,210)	—	(3,210)
Exchange differences		—	(5,760)	—	(5,760)
Total comprehensive 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	26 & 27	7	445	—	452
Issue of new shares, net of expenses	26 & 27	1,505	102,568	—	104,073
Repurchase of the Company's shares	26 & 27	(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
Balance at 1st January 2009		**21,112**	**1,354,512**	**776**	**1,376,400**
Comprehensive income:					
Profit for the year		**—**	**141,214**	**1,263**	**142,477**
Other comprehensive income:					
Net fair value gains on available-for-sale financial assets		**—**	**3,410**	**—**	**3,410**
Exchange differences		**—**	**6,984**	**—**	**6,984**
Total comprehensive income for the year		**—**	**151,608**	**1,263**	**152,871**
Employee share option scheme:					
— Employee share-based compensation benefits		**—**	**1,575**	**—**	**1,575**
Dividends paid		**—**	**(23,224)**	**—**	**(23,224)**
Balance at 31st December 2009		**21,112**	**1,484,471**	**2,039**	**1,507,622**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2009

	Note	2009 US$'000	2008 US$'000
Cash flows from operating activities			
Net cash generated from operations	36	**661,930**	454,441
Interest paid		**(10,436)**	(48,273)
Overseas income tax paid		**(17,995)**	(33,520)
Net cash generated from operating activities		**633,499**	372,648
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**3,457**	2,556
Proceeds from disposal of an available-for-sale financial asset		**532**	5,811
Proceeds from disposal of investment properties		**3,622**	—
Purchase of property, plant and equipment		**(114,638)**	(154,786)
Purchase of land use rights		**(3,760)**	(4,563)
Purchase of financial assets at fair value through profit or loss		**(1,962)**	—
Purchase of available-for-sale financial assets		**—**	(8,776)
Interest received		**4,428**	2,433
Investment in an associated company		**—**	(286)
Acquisition of a business operation	40	**(8,100)**	(32,900)
Minority shareholders' contribution to a new subsidiary		**—**	250
Net cash used in investing activities		**(116,421)**	(190,261)
Cash flows from financing activities			
Proceeds from long-term bank borrowings		**6,124**	—
Repayment of short-term bank borrowings		**(397,240)**	(187,949)
Proceeds from issuance of new shares		**—**	104,525
Repurchase of the Company's shares		**—**	(1,691)
Repayment for derivative financial instruments		**(2,000)**	(2,000)
Decrease/(increase) in pledged bank deposit		**200**	(200)
Dividends paid		**(23,224)**	(58,258)
Net cash used in financing activities		**(416,140)**	(145,573)
Increase in cash and cash equivalents		**100,938**	36,814
Cash and cash equivalents at 1st January		**171,066**	135,061
Effect of foreign exchange rate changes		**(1,566)**	(809)
Cash and cash equivalents at 31st December		**270,438**	171,066
Analysis of cash and cash equivalents:			
Bank balances and cash		**270,438**	171,066

The accompanying notes are an integral part of these 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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1st January 2009:

HKFRS 7 'Financial Instruments — Disclosures' (amendment) — effective 1st January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKAS 1 (revised), 'Presentation of financial statements' — effective 1st January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

HKFRS 2 (amendment), 'Share-based payment' (effective 1st January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1st January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

HKAS 23 (Revised), 'Borrowing Costs' — effective 1st January 2009. The standard has been revised to require capitalization of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard did not have any impact on the financial position or performance of the Group.

HKFRS 8, 'Operating segments' (effective 1st January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(b) Amendments and interpretations to existing standards that are effective but not currently relevant to the Group

The following amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1st January 2009, but are not currently relevant to the Group:

HKFRS 1 (Amendment)	First-time Adoption of HKFRS
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2010 or later periods, but the Group has not early adopted them:

HKFRS 3 (revised), 'Business combinations' (effective from 1st July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1st January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

HKFRS 9, 'Financial Instruments', (effective from 1st January 2013). It improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of HKAS 39 by applying a consistent approach to classify financial assets and replace the numerous categories of financial assets in HKAS 39, each of which had its own classification criteria. It also result in one impairment method, replacing the numerous impairment methods in HKAS 39 that arise from the different classification categories.

HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1st July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1st January 2010.

HKAS 39 and HK(IFRIC) — Int 9 (Amendments), 'Embedded Derivatives', (effective from 30th June 2009). An entity should assess whether an embedded derivative is to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment is made on the basis of the circumstances that existed at the later of (a) the date when the entity first became a party to the contract; and (b) the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract.

HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1st July 2009). The interpretation is part of the HKICPA's annual improvements project published in May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply HK(IFRIC) 17 from 1st January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

HK(IFRIC) — Int 18, 'Transfers of Assets from Customers', (effective from 1st July 2009). It addresses the diversity in practice that arises when entities account for assets received from a customer (e.g. property, plant and equipment and cash) in return for connection to a network or ongoing access to goods or services. The interpretation also provides new guidance for the separation and recognition of the different components of a transaction and may be applied by more than just those entities that receive assets from their customers. It might be relevant to any entity that has more than one delivery obligation.

HK(IFRIC) — Int 19, 'Extinguishing Financial Liabilities with Equity Instruments', (effective from 1st July 2010), The Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(d) In 2009, 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 by the Group

Amendments to standards and interpretations to existing standards	Description	Effective date (for accounting period commencing on)
HKFRS 2 (Amendment)	Share-based Payment	1st July 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1st July 2009
HKFRS 8 (Amendment)	Operating Segments	1st January 2010
HKAS 1 (Amendment)	Presentation of Financial Statements	1st January 2010
HKAS 7 (Amendment)	Statement of Cash Flows	1st January 2010
HKAS 17 (Amendment)	Leases	1st January 2010
HKAS 36 (Amendment)	Impairment of Assets	1st January 2010
HKAS 38 (Amendment)	Intangible Assets	1st July 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1st January 2010
HK(IFRIC) — Int 9 (Amendment)	Reassessment of Embedded Derivatives	1st July 2009
HK(IFRIC) — Int 16 (Amendment)	Hedges of a Net Investment in a Foreign Operation	1st July 2009

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 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 to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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.

(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 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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 re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

All foreign exchange gains and losses that relate to borrowings and cash and cash equivalents, are presented in the 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 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 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 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 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 reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.6 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.

2.7 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

2.9 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.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Classification

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.1 Classification (Continued)

(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 end of the reporting period. 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 2.15 and 2.16).

(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 the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

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

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the 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 is recognized in the 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 other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 recognised in profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

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

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

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognized immediately in the income statement within “other gains — net”.

2.13 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 design costs, 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.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.18 Borrowings

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

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

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

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, respectively.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax (Continued)

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.

2.20 Employee benefits

(a) Pension obligations

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

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

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) 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 enter: 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.

(c) Profit-sharing and bonus plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share-based payments

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:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.22 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)

2.23 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.

2.24 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.

2.25 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.

2.26 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 income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 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 income statement immediately.

2.28 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme 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 Board provides written principles for overall risk management, as well as 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 2009, 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$975,000 (2008: US$3,189,000) 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 2009 than 2008 because of the decreased amount of Renminbi denominated trade receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31st December 2009, 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$1,302,000 (2008: US$1,912,000) 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.

(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.

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 and interest rate swaps. Borrowings at variable rates and interest rate swaps involving variable rates expose the Group to cash flow interest rate risk.

Borrowings at fixed rates and interest rate swaps involving fixed rates expose the Group to fair value interest rate risk. Details of the Group's borrowings and interest rate swaps have been disclosed in Note 28 and Note 33, respectively.

As at 31st December 2009, 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$5,981 (2008: US$335,100) and Nil (2008: US$317,000) 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 2009 and 2008, 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	2009 US$'000
Customer A	**224,782**
Customer B	**158,437**
Customer C	**108,409**
Customer D	**98,934**
Customer E	**92,961**
	683,523

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

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 2009				
Borrowings	**210,514**	**6,124**	**—**	**216,638**
Interest payments on borrowings	**7,254**	**34**	**—**	**7,288**
Derivative financial instruments	**17,574**	**—**	**—**	**17,574**
Trade payables	**1,931,721**	**—**	**—**	**1,931,721**
Other payables and accruals	**367,299**	**28,759**	**—**	**396,058**
At 31st December 2008				
Borrowings	397,240	210,514	—	607,754
Interest payments on borrowings	20,043	7,052	—	27,095
Derivative financial instruments	106,365	—	—	106,365
Trade payables	929,623	—	—	929,623
Other payables and accruals	266,682	—	—	266,682

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 2009				
Borrowings	**210,514**	**—**	**—**	**210,514**
Interest payments on borrowings	**7,052**	**—**	**—**	**7,052**
Other payables and accruals	**1,890**	**—**	**—**	**1,890**
At 31st December 2008				
Borrowings	225,000	210,514	—	435,514
Interest payments on borrowings	16,554	7,052	—	23,606
Other payables and accruals	2,343	—	—	2,343

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 2009				
Foreign exchange forward contracts				
— Inflow	**2,846,169**	**—**	**—**	**2,846,169**
— Outflow	**2,853,000**	**—**	**—**	**2,853,000**
At 31st December 2008				
Foreign exchange forward contracts				
— Inflow	(4,207,414)	—	—	(4,207,414)
— Outflow	4,274,979	—	—	4,274,979

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.

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	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings	**215,336**	603,255	**209,212**	431,015
Less: Cash and cash equivalents	**(270,438)**	(171,066)	**(1,190)**	(320)
Net (cash)/debt	**(55,102)**	432,189	**208,022**	430,695
Total equity	**1,507,622**	1,376,400	**803,725**	787,116
Total capital	**N/A**	1,808,589	**1,011,747**	1,217,811
Debt to equity ratio	**N/A**	24%	**21%**	35%

As the Group was in a net cash position as at 31st December 2009, debt to equity ratio was not applicable.

3.3 Fair value estimation

Effective 1 January 2009, the group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	2,244	—	933	3,177
Financial assets at fair value through profit or loss	2,920	—	—	2,920
Derivative financial instruments	—	18,832	—	18,832
	5,164	18,832	933	24,929
Liabilities				
Derivative financial instruments	—	17,574	—	17,574

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. 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 (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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 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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(g) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to competition within the industry. Management will increase the depreciation 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.

(j) Royalty provision

The Group estimates the royalty expenses based on industry knowledge and other market information. Significant judgment is required in determining the royalty expenses. Where the royalty expenses incurred are different from the original provision, such difference would impact the consolidated income statement in the period in which the royalty expenses are incurred.

5 SEGMENT INFORMATION

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 operating 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 operating segments.

The Group is organized on a worldwide basis into two main operating segments. They are (i) Monitors; and (ii) TVs.

Others mainly comprise the sales of chassis, spare parts, CKD/SKD and other general corporate items.

The Group's chief operating decision-maker assesses the performance of the operating segments based on a measure of adjusted operating profit. Export incentives received, fiscal refund received, localization incentives received, other gains — net, finance income, finance costs and share of profits less losses of associated companies are not included in the result for each operating segment that is reviewed by the Group's chief operating decision-maker.

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

5 SEGMENT INFORMATION (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, interests in associated companies, available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss, current income tax recoverable, derivative financial instruments, pledged bank deposits and cash and cash equivalents, which are managed on a central basis. These are included in the reconciliation to total balance sheet assets.

Segment liabilities mainly comprise pension obligations, trade payables, other payables and accruals and warranty provisions. They exclude borrowings, current income tax liabilities and derivative financial instruments, which are managed on a central basis. These are included in the reconciliation to total balance sheet liabilities.

The segment results for the year ended 31st December 2009 are as follows:

	For the year ended 31st December 2009			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers	**5,098,464**	**2,683,383**	**250,125**	**8,031,972**
Cost of goods sold	**(4,789,257)**	**(2,530,709)**	**(242,287)**	**(7,562,253)**
Other income excluding export incentives received, fiscal refund received and localization incentives received	**5,942**	**3,127**	**291**	**9,360**
Operating expenses	**(214,346)**	**(92,541)**	**(5,379)**	**(312,266)**
Adjusted operating profit	**100,803**	**63,260**	**2,750**	**166,813**
Depreciation of property, plant and equipment	**49,942**	**27,779**	**3,450**	**81,171**
Amortization of land use rights	**—**	**—**	**295**	**295**
Amortization of intangible assets	**—**	**—**	**1,921**	**1,921**
Capital expenditure	**55,696**	**62,702**	**—**	**118,398**

The segment results for the year ended 31st December 2008 are as follows:

	For the year ended 31st December 2008			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers	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)
Adjusted operating profit	116,459	14,190	1,125	131,774
Depreciation of property, plant and equipment	41,659	13,347	4,416	59,422
Amortization of land use rights	—	—	383	383
Amortization of intangible assets	—	—	53	53
Capital expenditure	117,165	45,084	—	162,249

5 SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31st December 2009 are as follows:

	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Segment assets	**2,459,232**	**1,313,473**	**44,540**	**3,817,245**
Segment liabilities	**(1,672,712)**	**(722,338)**	**(5,062)**	**(2,400,112)**

The segment assets and liabilities at 31st December 2008 are as follows:

	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Segment assets	2,151,087	797,109	58,192	3,006,388
Segment liabilities	(1,026,265)	(226,984)	(4,591)	(1,257,840)

A reconciliation of adjusted operating profit for reportable segments to total profit before income tax is provided as follows:

	For the year ended 31st December	
	2009 US$'000	2008 US$'000
Adjusted operating profit for reportable segments	**166,813**	131,774
Export incentives received	**11,087**	11,625
Fiscal refund received	**2,268**	6,185
Localization incentives received	**—**	3,319
Operating profit	**180,168**	152,903
Finance income	**4,428**	2,433
Finance costs	**(13,633)**	(51,332)
Share of profits less losses of associated companies	**3,483**	3,288
Profit before income tax	**174,446**	107,292

5 SEGMENT INFORMATION (Continued)

A reconciliation of segment assets to total assets is provided as follows:

	As at 31st December 2009 US$'000	2008 US$'000
Segment assets	3,817,245	3,006,388
Investment properties	11,899	15,912
Interests in associated companies	18,006	14,523
Available-for-sale financial assets	3,177	3,031
Deferred income tax assets	11,690	15,712
Financial assets at fair value through profit or loss	2,920	275
Current income tax recoverable	657	6,182
Derivative financial instruments	18,832	120,364
Pledged bank deposits	—	200
Cash and cash equivalents	270,438	171,066
Total assets	4,154,864	3,353,653

A reconciliation of segment liabilities to total liabilities is provided as follows:

	As at 31st December 2009 US$'000	2008 US$'000
Segment liabilities	2,400,112	1,257,840
Current income tax liabilities	14,220	9,793
Derivative financial instruments	17,574	106,365
Borrowings	215,336	603,255
Total liabilities	2,647,242	1,977,253

The segment results by geographical as follows:

	At 31st December 2009 US$'000	2008 US$'000
Europe	2,298,266	2,265,150
North America	1,943,292	2,534,825
South America	476,324	599,112
Africa	20,571	32,997
Australia	81,984	150,312
The PRC	2,380,379	2,387,319
Rest of the world	831,156	1,277,305
	8,031,972	9,247,020

5 SEGMENT INFORMATION (Continued)

At 31st December 2009, the total of non-current assets other than financial instruments and deferred income tax assets located in the PRC is US$297,504,000 (2008: US$289,347,000), and the total of these non-current assets located in other countries is US$534,265,000 (2008: US$484,329,000).

For the year ended 31st December 2009, revenues of approximately US$710,268,000 (2008: US$1,321,751,000) are derived from a single external customer. These revenues are attributable to the monitors and TVs.

6 OTHER INCOME

	2009 US$'000	2008 US$'000
Other income		
Export incentives received (Note (a))	**11,087**	11,625
Localization incentives received	**—**	3,319
Fiscal refund received (Note (b))	**2,268**	6,185
Rental income, net of direct outgoings	**1,326**	1,070
Miscellaneous income	**8,034**	9,068
	22,715	31,267

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.

7 OTHER GAINS — NET

	2009 US$'000	2008 US$'000
Realized and unrealized (losses)/gains on foreign exchange forward contracts — net	**(13,334)**	120,619
Net exchange gains/(losses)	**38,734**	(55,150)
Realized and unrealized gains/(losses) on interest rate swaps — net	**14,429**	(21,630)
Fair value gains/(losses) on financial assets at fair value through profit or loss	**664**	(1,115)
Fair value gains on revaluation of investment properties	**352**	1,662
Loss on disposal of investment properties	**(743)**	—
Gain on disposal of an available-for-sale financial asset	**—**	8
Impairment losses on available-for-sale financial assets	**(2,734)**	(3,184)
	37,368	41,210

8 OPERATING PROFIT

Operating profit is stated after charging the followings:

	2009 US$'000	2008 US$'000
Cost of inventories	7,160,786	8,428,176
Employee benefit expense (including directors' emoluments) (Note 9)	244,472	216,064
Depreciation of property, plant and equipment	81,171	59,422
Amortization of land use rights	295	383
Operating lease rental for land and buildings and machinery	8,572	12,566
Auditors' remuneration	1,151	1,102
Amortization of intangible assets (included in administrative expenses)	1,921	53
Provision for warranty (Note 32)	56,110	66,942
(Reversal)/provision for bad and doubtful debts (Note 23)	(824)	12
Loss on disposal of property, plant and equipment	2,206	3,231
Provision of inventories to net realizable value	23,067	43,808
Impairment losses on property, plant and equipment	—	2,814
Donations	489	697

9 EMPLOYEE BENEFIT EXPENSE

	2009 US$'000	2008 US$'000
Wages, salaries and welfare	240,764	208,514
Unutilized annual leave	—	78
Share options granted to directors and employees	1,575	2,523
Pension costs — defined contribution plans	1,604	1,294
Pension costs — defined benefit plan (Note 30)	529	815
Termination benefits	—	2,840
	244,472	216,064

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2009 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	—	321	516	837
Mr Houng Yu-Te (Note (i))	—	187	155	342
Mr Maarten Jan de Vries	—	—	—	—
Mr Lu Ming	—	—	—	—
Mr Robert Theodoor Smits	—	—	—	—
Mr Kuo Chen-Lung (Note (iii))	—	—	—	—
Mr Liu Liehong (Note (v))	—	—	—	—
Ms Wu Qun (Note (v))	—	—	—	—
Mr Xu Haihe (Note (v))	—	—	—	—
Mr Du Heping (Note (v))	—	—	—	—
Mr Tam Man Chi (Note (v))	—	—	—	—
Mr Chen Yen-Sung, Eddie (Note (iv))	—	—	—	—
Mr Chan Boon-Teong	41	—	—	41
Dr Ku Chia-Tai	31	—	—	31
Mr Wong Chi Keung	31	—	—	31

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	260	542
Mr Houng Yu-Te (Note (i))	—	165	100	265
Mr Lu Being Chang (Note (ii))	—	59	45	104
Mr Maarten Jan de Vries	—	—	—	—
Mr Lu Ming	—	—	—	—
Mr Robert Theodoor Smits	—	—	—	—
Mr Kuo Chen-Lung (Note (iii))	—	—	—	—
Mr Chan Boon-Teong	40	43	—	83
Dr Ku Chia-Tai	30	35	—	65
Mr Wong Chi Keung	30	37	—	67

Notes:

(i) Resigned on 13th October 2009

(ii) Resigned on 11th June 2008

(iii) Resigned on 31st March 2009

(iv) Appointed on 31st March 2009

(v) Appointed on 13th October 2009

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2008: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2008: four) individuals during the year are as follows:

	2009 US$'000	2008 US$'000
Basic salaries, housing allowances and other benefits in kind	**1,433**	834
Discretionary bonuses	**529**	380
	1,962	1,214

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
HK$2,000,001 to HK$2,500,000 (equivalent to US$25,410 to US$320,513)	**–**	3
HK$2,500,001 to HK$3,000,000 (equivalent to US$320,514 to US$384,615)	**–**	1
HK$3,000,001 to HK$3,500,000 (equivalent to US$384,616 to US$448,717)	**2**	–
HK$3,500,001 to HK$4,000,000 (equivalent to US$448,718 to US$512,821)	**1**	–
HK$5,000,001 to HK$5,500,000 (equivalent to US$641,023 to US$705,128)	**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.

10 FINANCE INCOME AND COSTS

	2009 US$'000	2008 US$'000
Interest expense on bank borrowings wholly repayable within five years	**3,404**	41,103
Interest expense on convertible bonds wholly repayable within five years (Note 35)	**10,229**	10,229
	13,633	51,332
Interest income on short-term bank deposits	**(4,428)**	(2,433)
Finance costs — net	**9,205**	48,899

No borrowing costs were capitalized during the years ended 31st December 2009 and 2008.

11 INCOME TAX EXPENSE

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 (2008: 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/(credited) to the consolidated income statement represents:

	2009 US$'000	2008 US$'000
Overseas taxation		
— current year	**28,424**	22,983
— over-provision in prior years	**(477)**	(2,302)
Deferred income tax expense/(credit) (Note 29)	**4,022**	(10,969)
Income tax expense	**31,969**	9,712

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2009 US$'000	2008 US$'000
Profit before income tax	**174,446**	107,292
Calculated at a taxation rate of 15% (2008: 15%)	**26,167**	16,094
Different taxation rates in other countries	**9,631**	2,230
Change of taxation rate	**(1,336)**	717
Income not subject to tax	**(2,951)**	(42,979)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**(2,567)**	(801)
Expenses not deductible for tax purposes	**17,154**	26,972
Losses for which no deferred income tax asset was recognized	**7,528**	9,781
Utilisation of previously unrecognized tax loss	**(21,180)**	—
Over-provision in prior years	**(477)**	(2,302)
Income tax expense	**31,969**	9,712

12 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$38,258,000 (2008:US$45,470,000).

13 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.

	2009	2008
Profit attributable to equity holders of the Company (US$'000)	**141,214**	97,177
Weighted average number of ordinary shares in issue (thousands)	**2,111,253**	2,050,431
Basic earnings per share (US cents per share)	**6.69**	4.74

(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.

	2009	2008
Profit attributable to equity holders of the Company (US$'000)	**141,214**	97,177
Interest expense on convertible bonds (US$'000)	**10,229**	10,229
Profit used to determine diluted earnings per share (US$'000)	**151,443**	107,406
Weighted average number of ordinary shares in issue (thousands)	**2,111,253**	2,050,431
Adjustments for		
— assumed conversion of convertible bonds (thousands)	**313,289**	313,289
— share options (thousands)	**—**	2,238
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,424,542**	2,365,958
Diluted earnings per share (US cents per share)	**6.25**	4.54

14 DIVIDENDS

	2009 US$'000	2008 US$'000
Interim, paid, of US0.60 cent (2008: US0.88 cent) per ordinary share	**12,668**	18,581
Final, proposed, of US1.26 cents (2008: US0.50 cent) per ordinary share	**29,558**	10,556
	42,226	29,137

The directors proposed on 30th March 2010 a final dividend of US1.26 cents per share (2008: US0.50 cent) payable in cash to equity holders. The amount of 2009 proposed final dividend is based on 2,345,836,139 shares in issue as at 31st March 2010 (2008: 2,111,252,525 shares). 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 2010.

15 INTANGIBLE ASSETS

		Group	
	Goodwill US$'000	Trademarks US$'000	Total US$'000
At 1st January 2008			
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
Addition attributable to a business combination	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
Year ended 31st December 2009			
Opening net book amount	**389,098**	**268**	**389,366**
Addition attributable to a business combination (Note 40)	**—**	**20,600**	**20,600**
Amortization charge (Note)	**—**	**(1,921)**	**(1,921)**
Closing net book amount	**389,098**	**18,947**	**408,045**
At 31st December 2009			
Cost	**389,098**	**21,400**	**410,498**
Accumulated amortization	**—**	**(2,453)**	**(2,453)**
Net book amount	**389,098**	**18,947**	**408,045**

15 INTANGIBLE ASSETS (Continued)

	Company Trademarks US$'000
At 1st January 2008	
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
Year ended 31st December 2009	
Opening net book amount	**268**
Amortization charge (Note)	**(53)**
Closing net book amount	**215**
At 31st December 2009	
Cost	**800**
Accumulated amortization	**(585)**
Net book amount	**215**

Note:

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

15 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

A summary of the goodwill allocation is presented below.

	2009 US$'000	2008 US$'000
Monitors	**324,274**	324,274
TVs	**64,824**	64,824
	389,098	389,098

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 one-year period. Cash flows beyond the one-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	6.1%	5.5%
Average growth rate for the first ten-year forecast period	5.4%	22.0%
Growth rate after the tenth year	2.0%	2.0%
Discount rate	7.4%	7.4%

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 2009 and 2008.

16 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 2008										
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 40)	–	–	–	–	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
Year ended 31st December 2009										
Opening net book amount	12,598	113,077	11,537	50,051	44,343	44,520	1,644	14,872	42,202	334,844
Exchange differences	508	1,914	1,450	3,333	20	39	49	999	44	8,356
Additions	296	13,704	3,787	17,631	49,964	10,005	1,089	2,869	15,293	114,638
Transfer	–	42,139	970	(2,086)	617	5,354	127	129	(51,409)	(4,159)
Disposals	–	(944)	(89)	(1,113)	(2,256)	(821)	(342)	(98)	–	(5,663)
Depreciation	–	(6,126)	(1,667)	(9,706)	(43,360)	(15,213)	(657)	(4,442)	–	(81,171)
Closing net book amount	13,402	163,764	15,988	58,110	49,328	43,884	1,910	14,329	6,130	366,845
At 31st December 2009										
Cost	13,402	193,247	21,630	92,772	213,815	124,066	4,056	31,981	6,130	701,099
Accumulated depreciation	–	(27,452)	(5,642)	(34,495)	(164,455)	(80,182)	(2,146)	(17,068)	–	(331,440)
Accumulated impairment losses	–	(2,031)	–	(167)	(32)	–	–	(584)	–	(2,814)
Net book amount	13,402	163,764	15,988	58,110	49,328	43,884	1,910	14,329	6,130	366,845

Depreciation of US$77,197,000 (2008: US$55,577,000), US$386,000 (2008: US$335,000), US$1,427,000 (2008: US$1,158,000) and US$2,161,000 (2008: US$2,352,000) was presented in the income statement within cost of goods sold, selling and distribution expenses, administrative expenses and research and development expenses respectively.

17 LAND USE RIGHTS

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

	Group	
	2009	2008
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	1,383	1,383
Leases of between 10 and 50 years	22,414	14,617
	23,797	16,000

	2009	2008
	US$'000	US$'000
Opening net book amount	16,000	15,278
Exchange differences	173	196
Additions	3,760	4,563
Transfer	4,159	(3,654)
Amortization of prepaid operating lease payments	(295)	(383)
Closing net book amount	23,797	16,000

18 INVESTMENT PROPERTIES

	Group	
	2009	2008
	US$'000	US$'000
Opening net book amount	15,912	10,403
Transfer from land use rights	—	3,654
Transfer from property, plant and equipment	—	193
Fair value gains (included in other gains — net)	352	1,662
Disposal	(4,365)	—
Closing net book amount	11,899	15,912

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 2009 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.

19 INVESTMENTS IN SUBSIDIARIES

	Company 2009 US$'000	2008 US$'000
Unlisted shares, at cost	**59,066**	59,066
Amounts due from subsidiaries	**954,358**	1,159,008
	1,013,424	1,218,074
Less: Non-current portion (Note)	**(797,710)**	(796,135)
Current portion	**215,714**	421,939

Note:

As at 31st December 2009 and 2008, the non-current amounts due from subsidiaries are unsecured, interest free and not repayable within the next twelve months.

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 2009 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 (c))	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%
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 of 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 RMB80,000,000	66.67%

19 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)				
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%
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 (b))	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%
MMD-Monitors & Displays Nederland B.V.	The Netherlands	Sales and distribution of computer monitors and flat TVs	180 ordinary shares of €100 each	100%
MMD (Shanghai) Electronics Trading Co., Ltd. (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB6,150,060	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) 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.

20 INTERESTS IN ASSOCIATED COMPANIES

	Group 2009 US$'000	2008 US$'000
At 1st January	**14,523**	10,949
Capital injection in an associated company	**—**	286
Share of associated companies' results		
— profit before income tax	**3,841**	3,019
— income tax (expense)/credit	**(358)**	269
At 31st December	**18,006**	14,523

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	Revenues US$'000	Profit/(loss) US$'000	% Interest held indirectly
2009							
Envision Peripherals, Inc.	2,000,000 ordinary shares with no par value	United States of America	**53,077**	**(52,241)**	**158,540**	**544**	**24%**
HannStar Display (Wuhan) Corp.[1] (Note (b))	Paid-in capital of US$15,000,000	The PRC	**3,775**	**(830)**	**2,504**	**(230)**	**20%**
CPT TPV Optical (Fujian) Co., Ltd.[1] (Note (b))	Paid-in capital of US$22,500,000	The PRC	**22,338**	**(8,113)**	**7,694**	**3,169**	**20%**
			79,190	**(61,184)**	**168,738**	**3,483**	

Name	Particulars of issued shares held	Place of incorporation/ establishment (Note (a))	Attributable to the Group Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit US$'000	% Interest held indirectly
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	

[1] English translation is for identification purpose only.

20 INTERESTS IN ASSOCIATED COMPANIES (Continued)

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.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
	US$'000	US$'000
Beginning of the year	3,031	6,559
Exchange differences	2	(107)
Additions	—	8,776
Disposals	(532)	(5,803)
Net fair value gains/(losses) transferred to equity (Note 27)	3,410	(3,210)
Impairment losses charged to the income statement	(2,734)	(3,184)
End of the year	3,177	3,031

As at 31st December 2009, the Group has an impairment provision on available-for-sale financial assets of US$7,065,000 (2008: US$4,331,000).

Available-for-sale financial assets include the following:

	Group	
	2009	2008
	US$'000	US$'000
Listed securities:		
— Equity securities — Taiwan	2,260	1,621
Unlisted securities (traded on inactive markets and of private issuers):		
— Equity securities	917	1,410
	3,177	3,031
Market value of listed securities	2,260	1,621

The fair values of unlisted securities are based on discounted cash flows.

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

	Group	
	2009	2008
	US$'000	US$'000
US dollars	500	500
New Taiwan dollars	2,677	2,531
	3,177	3,031

22 INVENTORIES

	Group 2009 US$'000	2008 US$'000
Raw materials	**384,518**	241,094
Work-in-progress	**23,529**	12,054
Finished goods	**446,282**	414,062
Production supplies	**1,884**	2,768
	856,213	669,978

The cost of inventories recognized as expense and included in cost of goods sold amounted to US$7,183,853,000 (2008: US$8,471,984,000).

23 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Trade receivables	**1,884,606**	1,370,406	**—**	—
Less: provision for impairment of receivables	**(3,146)**	(3,970)	**—**	—
Trade receivables, net	**1,881,460**	1,366,436	**—**	—
Deposits	**3,186**	2,402	**—**	—
Prepayments	**27,315**	47,297	**—**	—
Other receivables	**250,384**	180,065	**—**	1,812
	2,162,345	1,596,200	**—**	1,812

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

The ageing analysis of trade receivables, based on invoice date, is as follows:

	Group 2009 US$'000	2008 US$'000
0–30 days	**917,450**	622,704
31–60 days	**658,962**	448,369
61–90 days	**265,446**	249,420
91–120 days	**32,942**	37,877
Over 120 days	**9,806**	12,036
	1,884,606	1,370,406

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.

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

As at 31st December 2009, trade receivables of US$3,146,000 (2008: US$3,970,000) were impaired. The amount of the provision was US$3,146,000 as at 31st December 2009 (2008: US$3,970,000). 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:

	2009 US$'000	2008 US$'000
1–120 days	**2,506**	736
Over 120 days	**640**	3,234
	3,146	3,970

As at 31st December 2009, trade receivables of US$79,420,000 (2008: US$79,989,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing analysis of these trade receivables is as follows:

	2009 US$'000	2008 US$'000
1–90 days	**74,270**	78,211
91–120 days	**2,415**	1,414
Over 120 days	**2,735**	364
	79,420	79,989

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

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
US dollars	**1,378,946**	935,778	**—**	1,812
Renminbi	**366,796**	483,896	**—**	—
Brazilian real	**180,948**	112,832	**—**	—
Mexican peso	**14,463**	21,111	**—**	
Euros	**60,347**	20,531	**—**	—
Indian rupees	**13,326**	8,097	**—**	—
Polish zloty	**128,952**	4,916	**—**	—
Other currencies	**18,567**	9,039	**—**	—
	2,162,345	1,596,200	**—**	1,812

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

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

	2009 US$'000	2008 US$'000
At 1st January	**3,970**	4,958
(Reversal)/provision for impairment of receivables (Note 8)	**(824)**	12
Receivables written off during the year as uncollectible	**—**	(1,000)
At 31st December	**3,146**	3,970

The release and creation of provision for impaired receivables have been included in administrative expenses in the income statement (Note 8). 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.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009 US$'000	2008 US$'000
Listed securities, at market value:		
— Equity securities — Singapore	**583**	275
— Equity securities — Taiwan (Note)	**2,337**	—
	2,920	275

Note: It represents convertible options of a underlying security listing in Taiwan with quoted prices in active markets.

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 statement of cash flows (Note 36).

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

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

25 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**270,438**	170,445	**1,190**	320
Short-term bank deposits	**—**	621	**—**	—
	270,438	171,066	**1,190**	320
Pledged bank deposit (Note 34)	**—**	200	**—**	—
	270,438	171,266	**1,190**	320
Maximum exposure to credit risk	**270,271**	171,203	**1,190**	320

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

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
US dollars	**127,868**	79,411	**105**	95
Renminbi	**95,083**	81,162	**—**	—
Brazilian real	**2,833**	3,539	**—**	—
Euros	**15,082**	2,927	**—**	47
Other currencies	**29,572**	4,227	**1,085**	178
	270,438	171,266	**1,190**	320

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

26 SHARE CAPITAL

	2009 US$'000	2008 US$'000
Authorized:		
4,000,000,000 (2008: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,111,252,525 (2008: 2,111,252,525) ordinary shares of US$0.01 each	**21,112**	21,112

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

	2009		2008	
	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	**2,111,252,525**	**21,112**	1,964,728,525	19,647
Issue of new shares, net of expenses	—	—	150,500,000	1,505
Issue of shares pursuant to exercise of share options, net of expenses	—	—	744,000	7
Repurchase of the Company's shares	—	—	(4,720,000)	(47)
At 31st December	**2,111,252,525**	**21,112**	2,111,252,525	21,112

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 2009	Exercised during the year	Lapsed during the year	At 31st December 2009
20th May 2004	HK$4.735	(i)	62,395,800	—	(62,395,800)	—
12th December 2008	HK$5.750	(ii)	22,204,026	—	(846,000)	21,358,026
			84,599,826	—	(63,241,800)	21,358,026

Notes:

(i) 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 2007 to 19th May 2009 and from 8th June 2008 to 19th May 2009 are 20%, 50% and 100%, respectively.

(ii) 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.

(iii) During the year, 63,241,800 (2008: 15,546,429) share options were lapsed as a result of the cessation of employment of certain employees or expiry of the share options.

27 RESERVES

	Group												
	Share premium	Capital reserve	Share redemption reserve	Employee share-based compensation reserve	Exchange reserve	Reserve fund (Note (a))	Merger difference (Note (b))	Available-for-sale financial assets fair value reserve	Assets revaluation surplus	Convertible bonds (Note (d))	Other reserves	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	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 26)	445	–	–	–	–	–	–	–	–	–	–	–	445
Issue of new shares, net of expenses (Note 26)	102,568	–	–	–	–	–	–	–	–	–	–	–	102,568
Repurchase of the Company's shares (Note 26)	(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
Balance at 1st January 2009	**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**
Net fair value gains on available-for-sale financial assets	–	–	–	–	–	–	–	**3,410**	–	–	–	–	**3,410**
Exchange differences	–	–	–	–	**6,984**	–	–	–	–	–	–	–	**6,984**
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	**141,214**	**141,214**
Employee share option scheme:													
– Employee share-based compensation benefits	–	–	–	**1,575**	–	–	–	–	–	–	–	–	**1,575**
Dividends paid:													
– 2008 final	–	–	–	–	–	–	–	–	–	–	–	**(10,556)**	**(10,556)**
– 2009 interim	–	–	–	–	–	–	–	–	–	–	–	**(12,668)**	**(12,668)**
Balance at 31st December 2009	**604,764**	**68,202**	**12**	**10,088**	**10,447**	**52,935**	**10,001**	**200**	**5,308**	**58,271**	**(9,423)**	**673,666**	**1,484,471**
Represented by:													
Other reserves													**1,454,913**
Proposed final dividend													**29,558**
													1,484,471

27 RESERVES (Continued)

	Company						
	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note (c)) US$'000	Convertible bonds (Note (d)) 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 26)	445	—	—	—	—	—	445
Issue of new shares, net of expenses (Note 26)	102,568	—	—	—	—	—	102,568
Repurchase of the Company's shares (Note 26)	(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
Balance at 1st January 2009	**604,764**	**12**	**8,513**	**11,433**	**58,271**	**83,011**	**766,004**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**38,258**	**38,258**
Employee share option scheme:							
— Employee share-based compensation benefits	**—**	**—**	**1,575**	**—**	**—**	**—**	**1,575**
Dividends paid:							
— 2008 final	**—**	**—**	**—**	**—**	**—**	**(10,556)**	**(10,556)**
— 2009 interim	**—**	**—**	**—**	**—**	**—**	**(12,668)**	**(12,668)**
Balance at 31st December 2009	**604,764**	**12**	**10,088**	**11,433**	**58,271**	**98,045**	**782,613**
Represented by:							
Other reserves							**753,055**
Proposed final dividend							**29,558**
							782,613

27 RESERVES (Continued)

(a) In accordance with the relevant PRC regulations applicable to wholly foreign-owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after 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.

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

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

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

28 BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Bank borrowings	**6,124**	—	**—**	—
Convertible bonds (Note 35)	**—**	206,015	**—**	206,015
	6,124	206,015	**—**	206,015
Current				
Bank borrowings	**—**	397,240	**—**	225,000
Convertible bonds (Note 35)	**209,212**	—	**209,212**	—
	209,212	397,240	**209,212**	225,000
Total borrowings	**215,336**	603,255	**209,212**	431,015

28 BORROWINGS (Continued)

As at 31st December 2009, the Group's borrowings were repayable as follows:

	Group				Company			
	Bank borrowings		Convertible bonds		Bank borrowings		Convertible bonds	
	2009	2008	2009	2008	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Within one year	—	397,240	209,212	—	—	225,000	209,212	—
Between one and two years	6,124	—	—	206,015	—	—	—	206,015
Between two and five years	—	—	—	—	—	—	—	—
Wholly repayable within five years	6,124	397,240	209,212	206,015	—	225,000	209,212	206,015

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

	2009	2008
Bank borrowings	2.26%–3.51%	1.62%–4.41%
Convertible bonds (Note 35)	5.29%	5.29%

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

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

As at 31st December 2009, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2009 US$'000	2008 US$'000
Within one year	3,258,477	2,759,780
Between one and two years	341,799	63,200
	3,600,276	2,822,980

29 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	
	2009 US$'000	2008 US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	2,242	2,211
— Deferred income tax assets to be recovered within 12 months	9,448	13,501
	11,690	15,712

No deferred income tax was charged or credited to equity during the year (2008: Nil).

29 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax (liabilities)/assets 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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January	**13,479**	12,069	**916**	(6,411)	**(631)**	(915)	**1,948**	—	**15,712**	4,743
(Charged)/credited to the income statement	**(683)**	1,410	**(1,041)**	7,327	**(350)**	284	**(1,948)**	1,948	**(4,022)**	10,969
At 31st December	**12,796**	13,479	**(125)**	916	**(981)**	(631)	**—**	1,948	**11,690**	15,712

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.

30 PENSION OBLIGATIONS

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

The obligations are calculated using the projected unit credit method, discounted to its present value. Such pension obligations as at 31st December 2009 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

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

	Group	
	2009	2008
	US$'000	US$'000
Present value of funded obligations	**6,963**	6,662
Fair value of plan assets	**(905)**	(1,029)
	6,058	5,633
Unrecognized actuarial losses	**(997)**	(1,043)
Liability in the balance sheet	**5,061**	4,590

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

	2009	2008
	US$'000	US$'000
Current service cost	**331**	491
Interest cost	**182**	250
Expected return on plan assets	**(15)**	(30)
Net actuarial losses recognized during the year	**31**	104
Total expense, within employee benefit expense (Note 9)	**529**	815

The actual loss on plan assets was US$6,000 (2008: US$36,000).

30 PENSION OBLIGATIONS (Continued)

Movements in the pension obligations are as follows:

	Group 2009 US$'000	2008 US$'000
At 1st January	**6,662**	6,923
Current service cost	**331**	491
Interest cost	**182**	250
Benefit paid	**(353)**	(263)
Actuarial losses/(gains)	**141**	(739)
At 31st December	**6,963**	6,662

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

	Group 2009 US$'000	2008 US$'000
At 1st January	**1,029**	1,058
Expected return on plan assets	**15**	30
Contributions	**182**	210
Benefit paid	**(353)**	(263)
Actuarial gains/(losses)	**32**	(6)
At 31st December	**905**	1,029

The principal actuarial assumptions used are as follows:

	2009	2008
Discount rate	**2.25%**	2.75%
Expected rate of return on plan assets	**2.25%**	1.50%
Expected rate of future salary increment	**3.00%**	3.00%

31 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group 2009 US$'000	2008 US$'000
0–30 days	**864,112**	274,506
31–60 days	**609,572**	270,550
61–90 days	**237,108**	170,162
Over 90 days	**220,929**	214,405
	1,931,721	929,623

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

32 WARRANTY PROVISIONS

	Group	
	2009	2008
	US$'000	US$'000
At 1st January	**56,945**	47,627
Charged to the income statement (Note 8)	**56,110**	66,942
Utilized during the year	**(45,783)**	(57,624)
At 31st December	**67,272**	56,945

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 2009 had been made for expected warranty claims on the products sold during the last thirty-six months. It is expected that the majority of this provision will be utilized in the next financial year, and all will be utilized within three years of the balance sheet date.

33 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Foreign exchange forward contracts	**18,431**	**(1,128)**	119,230	(72,104)
Interest rate swaps	**401**	**(16,446)**	1,134	(34,261)
	18,832	**(17,574)**	120,364	(106,365)

(a) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31st December 2009 was US$334,400,000 (2008: US$363,800,000).

(b) Foreign exchange forward contracts

The total notional principal amounts of the outstanding foreign exchange forward contracts as at 31st December 2009 are as follows:

	Group	
	2009	2008
	US$'000	US$'000
Sell Renminbi for US dollars	**2,853,000**	4,045,500
Sell US dollars for Renminbi	**2,858,000**	4,268,000
Sell Japanese Yen for US dollars	**5,800**	19,550
Sell Euros for US dollars	**73,719**	24,753
Sell Brazilian Real for US dollars	**42,500**	—
Sell Indian Rupee for US dollars	**10,000**	—
Sell HK dollars for US dollars	**3,000**	—
Sell Mexican Peso for US dollars	**1,400**	—
Sell US dollars for Euros	**—**	7,550
Sell US dollars for Japanese Yen	**—**	2,000

34 PLEDGE OF ASSETS

As at 31st December 2009, no Group's bank deposit was pledged as security for banking facilities of the Group (2008: US$200,000).

35 CONVERTIBLE BONDS

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

The bonds mature five years from the issue date at their principal amount of US$211 million and can be converted into the Company's ordinary shares at the holder's option at a conversion price of HK$5.241 (US$0.67) 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.

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 borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The equity conversion component is included in shareholders' equity (Note 27).

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

	Group and Company	
	2009	2008
	US$'000	US$'000
Equity component	**58,271**	58,271
Liability component		
At 1st January	**206,015**	202,956
Interest expense (Note 10)	**10,229**	10,229
Interest paid	**(7,032)**	(7,170)
At 31st December (Note 28)	**209,212**	206,015

The fair value of the liability component of the convertible bonds as at 31st December 2009 amounted to US$207,183,000 (2008: US$169,377,000). The fair value was calculated by using cash flows discounted at a rate of 7.42% (2008: 18.12%) per annum.

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations

	2009 US$'000	2008 US$'000
Operating profit	**180,168**	152,903
Depreciation	**81,171**	59,422
Amortization of land use rights	**295**	383
Amortization of intangible assets	**1,921**	53
Loss on disposal of property, plant and equipment	**2,206**	3,231
Loss on disposal of investment properties	**743**	—
Share options granted to directors and employees	**1,575**	2,523
Unrealized losses/(gains) on derivative financial instruments	**14,742**	(28,047)
Fair value gains on revaluation of investment properties	**(352)**	(1,662)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(664)**	1,115
Gain on disposal of an available-for-sale financial asset	**—**	(8)
Impairment losses on available-for-sale financial assets	**2,734**	3,184
Impairment losses on property, plant and equipment	**—**	2,814
Operating profit before working capital changes	**284,539**	195,911
(Increase)/decrease in trade receivables	**(515,024)**	155,096
(Increase)/decrease in deposits, prepayments and other receivables	**(51,121)**	142,875
(Increase)/decrease in inventories	**(174,615)**	430,155
Increase/(decrease) in trade payables	**1,002,098**	(507,126)
Increase in warranty provisions, other payables and accruals and pension obligations	**116,053**	37,530
Net cash generated from operations	**661,930**	454,441

37 CORPORATE GUARANTEES

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Guarantees in respect of banking facilities granted to:				
— subsidiaries	**—**	—	**1,499,013**	3,337,817
— an associated company	**3,000**	3,000	**—**	—
	3,000	3,000	**1,499,013**	3,337,817

38 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.

(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 certain other third party companies. The complaint claims damages related to alleged infringement of a 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.

38 CONTINGENT LIABILITIES (Continued)

(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 Enforcement Proceeding is still ongoing before the U.S. International Trade Commission on the one hand, the case is also currently pending final decision by the Court of Appeals for the Federal Circuit to the other, 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.

(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.

38 CONTINGENT LIABILITIES (Continued)

(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.

(f) In October 2009, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and certain other third party companies.

The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of digital televisions and monitors ("Patent V").

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 digital televisions and monitors, and sell those products through the United States of America, and know, expect, and intend that the products, including unlicensed digital televisions and 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.

38 CONTINGENT LIABILITIES (Continued)

(g) In November 2009, a third party company filed a complaint in the United States of America against the Group and certain other third party companies.

The complaint concerns claims of damages related to indemnification arising out of alleged infringement of certain patents in respect of technology of the manufacture of computer monitors.

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

(i) the Group is a merchant regularly dealing in goods of the kind of accused products and has breached its warranty of title and freedom from a claim of patent in the United States of America.

(ii) the third party company is entitled to indemnification from the Group for any liabilities it incurs, including reasonable attorneys' fees, settlement amount or any awarded damage.

The directors are of the opinion that while the complaint is not served yet, 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.

39 COMMITMENTS

(a) Capital commitments

	Group	
	2009	2008
	US$'000	US$'000
Capital commitments for plant and equipment		
— Contracted but not provided for	**16,961**	11,893

As at 31st December 2009, the Group has commitments for investments in joint ventures amounting to US$51,325,000 (2008: Nil). The principal activities of these joint ventures are manufacture and sell of LCD monitors, TVs and All-in-one products.

As at 31st December 2009, the Company did not have any significant capital commitments (2008: Nil).

(b) Commitments under operating leases

As at 31st December 2009, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2009	2008
	US$'000	US$'000
Not later than one year	**7,085**	4,025
Later than one year and not later than five years	**11,427**	3,170
Later than five years	**12,085**	490
	30,597	7,685

As at 31st December 2009, the Company did not have any significant commitments under operating leases (2008: Nil).

39 COMMITMENTS (Continued)

(c) Future operating lease receivable arrangements

As at 31st December 2009, the Group's future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2009	2008
	US$'000	US$'000
Not later than one year	**1,277**	866
Later than one year and not later than five years	**408**	127
	1,685	993

As at 31st December 2009, the Company did not have any significant future operating lease receivable arrangements (2008: Nil).

40 BUSINESS COMBINATION

On 9th February 2009, the Company and Philips, a major shareholder of the Company, entered into a five-year trademark license agreement, pursuant to which part of the Philips's IT display and public signage business was acquired for a consideration of US$10,700,000. The acquisition was completed on 1st June 2009.

The acquired business contributed revenues of US$369,446,000 and profit before income tax of US$3,657,000 for the Group for the period from 1st June 2009 to 31st December 2009. Consolidated revenues and consolidated profit before income tax for the year ended 31st December 2009 would not be materially different if this acquisition had occurred on 1st January 2009.

Details of the net identifiable assets acquired are as follows:

	2009
	US$'000
Purchase consideration:	
— Cash paid	**10,700**
Less: fair value of net identifiable assets acquired (see below)	**(10,700)**
Goodwill	**—**

40 BUSINESS COMBINATION (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount US$'000	Fair value US$'000
Intangible assets	—	20,600
Inventories	11,620	11,620
Cash and cash equivalents	2,600	2,600
Other payables and accruals	(3,520)	(24,120)
Net identifiable assets acquired	10,700	10,700
Outflow of cash to acquire business, net of cash acquired:		
— Cash consideration		10,700
— Cash and cash equivalents in business operation acquired		(2,600)
Cash outflow on acquisition		8,100

41 RELATED PARTY TRANSACTIONS

As at 31st December 2009, the major shareholders of the Company are Philips, CEC and CMO, which owned 12.47%, 27.02% and 7.66% of the Company's issued shares respectively.

(a) Significant transactions with related parties

During the years ended 31st December 2009 and 2008, 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 and CMO.

All of the transactions were summarized as follows:

	2009 US$'000	2008 US$'000
Sales of finished goods to an associated company	**585,921**	324,669
Sales of finished goods to Philips and its subsidiaries	**640,686**	1,011,302
Sales of finished goods to CMO and its subsidiaries	**404**	71,376
Purchases of raw materials from Philips and its subsidiaries	**(284,659)**	(196,449)
Purchase of raw materials from CMO and its subsidiaries	**(948,794)**	(1,375,777)
Commission paid to an associated company	**(840)**	(831)
Rental income from associated companies	**1,033**	902
Royalty to Philips and its subsidiaries	**(4,000)**	—

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

41 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	2009 US$'000	2008 US$'000
Salaries and other short-term employee benefits	2,692	1,901
Share-based payments	—	—
	2,692	1,901

(c) Year-end balances

	2009 US$'000	2008 US$'000
Receivable from an associated company (Note (i))		
— Envision Peripherals, Inc.	169,456	120,141
Receivables from substantial shareholders and their subsidiaries (Note (ii))		
— Philips and its subsidiaries	224,782	153,158
— CMO and its subsidiaries	—	19,924
	224,782	173,082
Payables to substantial shareholders and their subsidiaries (Note (iii))		
— Philips and its subsidiaries	81,149	15,676
— CMO and its subsidiaries	154,383	45,115
	235,532	60,791

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$224,782,000 (2008: US$151,483,000) and Nil (2008: US$21,599,000) 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 of US$231,532,000 (2008: US$60,791,000) and US$4,000,000 (2008: Nil) were presented in the consolidated balance sheet within trade payables and other payables and accruals respectively.

42 EVENTS AFTER THE BALANCE SHEET DATE

On 28th January 2010, Mitsui, as subscriber, entered into the subscription agreement to which the Company conditionally agreed to allot and issue, and Mitsui conditionally agreed to subscribe for, an aggregate of 234,583,614 subscription shares, representing approximately 11.11% of the then issued shares prior to completion of the subscription and approximately 10.00% of the issued shares as enlarged by the subscription at the subscription price of HK$5.20 per subscription share for a total subscription amount of HK$1,219,834,793 (equivalent to US$156,389,076). The share issuance has been completed on 16th March 2010.

43 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30th March 2010.

FIVE YEAR FINANCIAL SUMMARY

	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000
Results					
Profit attributable to equity holders	**141,214**	97,177	180,044	151,760	149,583
Assets and liabilities					
Total assets	**4,154,864**	3,353,653	3,836,629	3,060,856	3,054,224
Total liabilities	**(2,647,242)**	(1,977,253)	(2,596,188)	(1,949,483)	(2,188,659)
Net assets	**1,507,622**	1,376,400	1,240,441	1,111,373	865,565