TPV

ANNUAL REPORT 2010

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

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 Robert Theodoor Smits
Mr Junichi Kodama
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

Legal Advisors

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

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.
Industrial and Commercial Bank of China Limited
Chinatrust Commercial Bank., Ltd.
Mega International Commercial Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

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
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

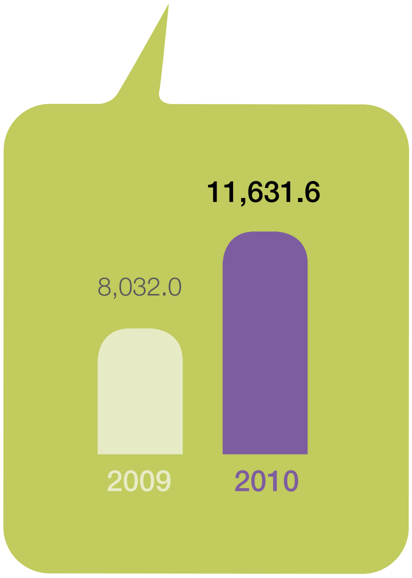
Singapore Share Transfer Office

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower #32-01
Singapore 048623

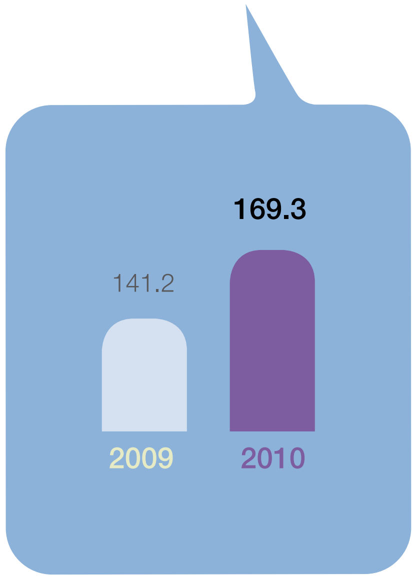
Contents

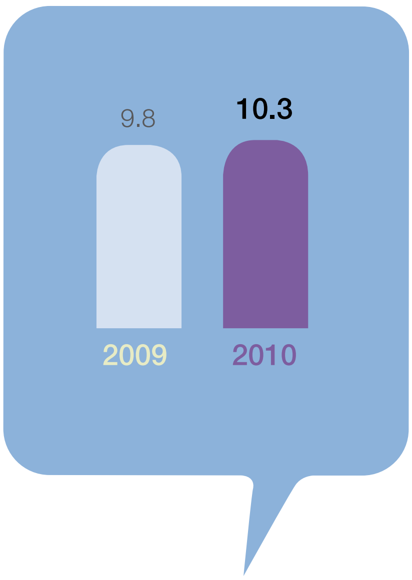
Financial Highlights

Consolidated Revenue
(US$ MILLION)

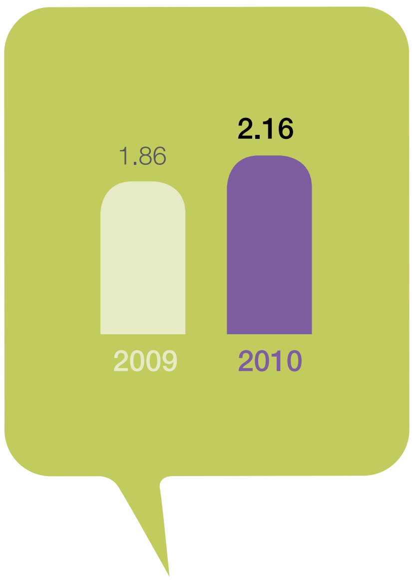


Profit Attributable to Equity Holders
(US$ MILLION)





Return on Equity
(%)



Dividends per share
(US CENTS)

Financial Highlights

	2010	2009	2008	2007	2006
Operating Results (US$'000)					
Consolidated revenue	**11,631,576**	8,031,972	9,247,020	8,445,151	7,176,294
Profit attributable to equity holders	**169,349**	141,214	97,177	180,044	151,760
Basic earnings per share (US cents)	**7.37**	6.69	4.74	9.21	7.98
Dividends per share (US cents)	**2.16**	1.86	1.38	2.82	2.48
Financial Position (US$'000)					
Total assets	**5,127,132**	4,154,864	3,353,653	3,836,629	3,060,856
Cash and cash equivalents	**184,426**	270,438	171,066	135,061	96,025
Total borrowings	**472,533**	215,336	603,255	788,145	416,147
Equity attributable to the Company's equity holders	**1,793,491**	1,505,583	1,375,624	1,240,318	1,099,065
Key Financial Ratios					
Inventory turnover (days)	**35.8**	36.8	36.6	48.0	45.7
Trade receivables turnover (days)	**63.9**	73.8	57.0	57.9	62.3
Trade payables turnover (days)	**69.1**	69.1	49.0	62.6	72.4
Return on equity (%)	**10.3**	9.8	7.4	15.4	15.5
Return on assets (%)	**3.4**	3.8	2.7	5.2	5.0
Current ratio (%)	**126.1**	127.0	145.1	135.6	141.6
Gearing ratio (%)	**9.2**	5.2	18.0	20.5	13.6
Interest coverage (times)	**12.9**	13.5	3.0	5.6	5.4
Dividend payout ratio (%)	**29.9**	29.9	30.0	30.7	31.8

Expect more, think TPV

Chairman's Statement

Dear Shareholders,

While an apparent imbalance between supply and demand at the beginning of 2010 indicated that it would be a positive year for the TFT-LCD industry, it turned out to be a disheartening one for those who had overestimated demand and stockpiled inventory at the wrong time. The emergence of the sovereign debt crisis in Europe and the less-than-sanguine US economy weakened consumer sentiment and dampened demand during the summer months, causing an avalanche of price cuts for LCD panels, and consequently for LCD monitor and TV prices as well.

However, despite these adverse market conditions, I am pleased to report that TPV remained on a growth trajectory, and we managed to achieve a respectable set of financial results during fiscal 2010. As an old saying puts it, "when the going gets tough, the tough get going". TPV has weathered the storms of the past decade, and we have emerged stronger than ever to take advantage of the enormous opportunities ahead.

In fact, the increasing popularity and affordability of Light-emitting diode (LED)-backlit TVs and the newer generation of connected TVs almost guarantee that 2011 will be an exciting year for the LCD TV industry. Global shipments are forecast to exceed 210 million units. Demand from the world's developing regions is almost the same as the demand in developed economies. TPV has been positioning itself for years to take advantage of the boom in developing economies. We have been expanding our production capacity, and extending our manufacturing presence into the most strategically important global markets. We have also strengthened our logistics coverage and shortened our time-to-market. As a result, we now have a presence in Asia, North and South America and Europe that allows us to tap into almost all of the world's high-growth regions. Our next step will be to establish a manufacturing operation in Russia.

Backwards integration was another important industry trend in 2010. System integrators and panel makers have joined forces to assemble LCD modules, backlight units, monitors and TV sets on the same platform, with the aim of trimming costs and speeding up the design process. TPV foresaw this trend some time ago, and we have been a pioneer in adopting this model since 2005. As reported in the Management Discussion and Analysis section of this annual report, we have expanded our investment in this area and set up a number of joint ventures to increase our in-house capability and self-sufficiency in the past two years. These alliances are helping us to improve our cost structure and broaden our customer base.

TPV is also keeping abreast of new technologies and ever-changing consumer expectations. End-users are expecting better performance, as well as new and more user-friendly products with multi-functions, and all at a reasonable price. Touch, 3D technology and TVs with Internet connectivity will form the market's focus in 2011. Among these features, 3D and Internet-connected displays will be the most important. Falling prices, the availability of more content and improving technology are expected to fuel tremendous growth in 3D display, making it the mainstream TV technology by 2014. Meanwhile, TVs with Internet connectivity have been undergoing a quiet revolution, and they are catching the attention of consumers. TPV is preparing for the coming boom in these product categories, and we will roll out our own-brand 3D and connected TVs this year.

We must always be prepared for unexpected events. That is especially true in the LCD business.

"Smart" technology is going to create another new era for the TV industry. Innovative products now in the pipeline will encompass configurable apps, sophisticated search functions, navigation engines and advanced user interfaces. They will usher in a completely different lifestyle for consumers. TPV will work closely with our customers to come up with hardware that matches their future needs.

While leveraging on the new vistas being opened up by these innovative technologies, we will not lose sight of one of our major tasks, which is to enhance our supply chain management further in the coming years. We will keep a vigilant eye on the upstream, where sizeable investments by panel makers during the past two years mean a large amount of new capacity will come on stream in the latter part of 2011 and 2012, thus raising the spectre of oversupply. Going down the chain, we will work ever more closely with our customers, with a view to speeding up our time-to-market performance.

Finally, we need to bear in mind the impact of the earthquake in Japan during March, as well as the tsunami and nuclear power crisis that followed it. At the time of writing this report, it was still too early for anyone to make an accurate assessment of the long-term effects these tragic events will have on the Japanese economy, let alone the regional and global business environment. We will have to hope for the best as we wait for their implications to become clearer.

Appreciation

I would like to end this message by offering my heartfelt gratitude to all who have contributed to TPV's very creditable performance in 2010, a year when we were beset by challenges and worked in the face of difficult market conditions. They include the members of our own team at every level – from my fellow Directors to our frontline workers – all of whom have made valuable contributions. I would like to welcome Mr Junichi Kodama, who became a member of our board last year; and also to express my appreciation for the valuable input we received from Mr Maarten Jan de Vries, one of our Directors who resigned in 2010.

Moreover, I would like to express my thanks for the strong support our team has received from many different quarters. They include our shareholders – particularly our largest shareholder, China Electronics Corporation (CEC), which increased its stake in TPV – and Mitsui Corporation, which became a new shareholder in 2010. These two giants in the electronics industry have thereby expressed their faith in our company and our future.

Last, but not least, we thank our business partners and customers whose enormous loyalty has made a real difference in the past 12 months.

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 23rd March 2011

Management Discussion and Analysis

Industry Review

Most of the world's economies entered 2010 in growth mode. However, the pace slowed from the second quarter onwards, as the stimulus packages governments had launched in response to the recession lost their momentum, leading to weaker consumer sentiment. The economic slowdown was exacerbated by the eruption of the sovereign debt crisis in Europe, which made it necessary for several troubled European Union states to receive large financial rescue packages.

Companies in the LCD industry, including TPV, got off to a good start last year, with strong demand for their products – especially in China – during the first quarter. Despite the dark clouds gathering on the economic horizon, sales remained firm in the second quarter too, as PC and TV brands started building up stocks in readiness for the peak season in the second half. Product prices stayed relatively stable throughout the first six months of 2010.

But lackluster sell-through numbers in June, increasing concerns about the economic outlook, and the build up of excess inventory along the supply chain began to affect monitor and TV panel prices, both of which plummeted in the third quarter.

However, monitor panel prices quickly stabilized after they reached cash-cost level in October and panel fabs drastically cut back on their outputs. On the other hand, TV panel prices continued to decline during the fourth quarter, albeit at a gentler gradient, since they were still selling at a premium to their cash cost. The prices of both product categories ended the year approximately 20 to 30 percent lower than they had been at the beginning.

On a brighter note, the increasing popularity of LED-backlit display products had a positive effect on the industry. Although these products are relatively more expensive, they are also slim, fashionable, and offer brighter and sharper pictures, as well as greater color contrast and lower power consumption. These features helped to create demand for them during 2010, boosting their penetration rates to around 10 percent in the PC monitor and 20 percent in the LCD TV segments.

Against the backdrop of a volatile global economy, worldwide shipments of PC monitors amounted to 172.3 million units for the year, a 5.1 percent increase on the 164 million units shipped in 2009. Demand for LCD TVs rose by 31.7 percent, up from 145.4 million units to 191.5 million units. Much of the growth came from China, Japan and Brazil, while demand in all the developed markets except Japan was impacted by the slowing global economy.

Company Results

TPV posted consolidated revenue of US$11.6 billion for the year 2010, an increase of 44.8 percent on the previous year's US$8.0 billion. Profit attributable to equity holders amounted to US$169.3 million, which was 19.9 percent higher than the US$141.2 million reported in 2009. Basic earnings per share were US7.37 cents, against US6.69 cents the previous year. The gross profit (GP) margin dipped 40 basis points to 5.4 percent because of the difficult operating environment, particularly for the LCD TV business segment.

During the year, the PC monitor business segment contributed 54.1 percent (2009: 63.5 percent) of the Group's consolidated revenue, whereas the LCD TV business segment accounted for 34.8 percent (2009: 33.4 percent) of total sales.

Europe and China each accounted for approximately one-third of the Group's total revenue, contributing 31.4 and 30.8 percent respectively (2009: 28.6 and 29.6 percent). North America and the rest of world accounted for 18.8 percent and 19 percent of our revenue respectively (2009: 24.2 and 17.6 percent).

Business Review

PC Monitor

While some businesses around the world did finally replace their obsolete PCs and monitors during 2010, the uncertain economic conditions that prevailed in many regions deterred a lot of others from following suit. The same uncertainty dampened consumer demand, which basically stayed flat throughout the year. However, recent surveys indicate the long-overdue equipment replacement cycle will continue in 2011. This would be a welcome trend, because it would boost demand for our products.

TPV shipped a total of 56.5 million monitor units worldwide in 2010, a year-on-year increase of 22.3 percent on the figure of 46.2 million for the previous year. This gave us a global market share of 32.8 percent (2009: 28.3 percent). Moreover, the 25.1 million units we shipped in China gave us a particularly strong position in that market, where we had a share of approximately 50 percent.

Meanwhile, the GP per unit held firm at US$7.3 (2009: US$6.7), thanks to enhanced efficiency and the relatively stable competitive landscape. Due to changes in our product mix, the average selling price (ASP) of our products also rose slightly to US$111.6 (2009: US$110.5), despite the backdrop of a general decline in prices in the industry.

LCD TV

There were a total of 191.5 million LCD TV units shipped worldwide during 2010, a figure that was slightly higher than the industry's expectations. Emerging markets like China and Brazil were the key growth drivers, although the Japanese government's new "eco-points" system to promote green products and stimulate consumption resulted in the shipment of 22.6 million LCD TV units to that country – a huge increase on the industry's original forecast of 12 million units that made Japan a star performer among developed nations.

TPV's LCD TV shipments surged by 55.6 percent to 14.8 million units, including TV chassis, CKD and SKD, in 2010 (2009: 9.5 million units). This represented 7.7 percent of the world's total supply. Even so, the sudden and steep drop in LCD panel prices in the second half of the year made it difficult for any brand or manufacturer to attain its revenue and profit projections, even if it did manage to meet its volume targets. As a result, the contribution of LCD TV shipments to our consolidated revenue rose only slightly, from 33.4 percent in 2009 to 34.8 percent last year. During the same period, the ASP of our LCD TV units rose from US$281.9 in 2009 to US$290.8, which was attributable to increasing shipments of larger screen sizes and higher-priced LED-backlit products. Yet the GP per unit decreased from US$16 to US$13.2 in the face of the challenging business environment.

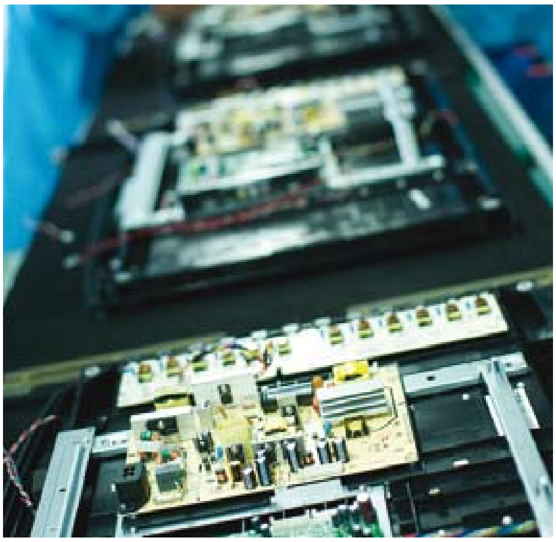
One important development for TPV during 2010 was the signing of a trademark license agreement granting us an exclusive license to manufacture and distribute Philips LCD TVs in China for a five-year period commencing January 2011. This has major strategic significance for TPV, because the Philips range of TV products will complement our own brand, thereby extending our product portfolio to cover the top quartile of product segments. The established sales channels and premium brand image of Philips products in China's first and second-tier cities will likewise complement our brand's strong presence in the third and fourth-tier cities and rural areas.

Production

We invested US$213.4 million on various capital projects and on streamlining and automating our manufacturing facilities during 2010. This included expanding the annual production capacity of our plant in Poland to 10 million units, and increasing the LCD TV production capacity of our factory in Xiamen, China, to 5 million units a year. At the same time, we fully integrated the Xiamen plant to include LCD-module assembly and plastic injection processes, thereby streamlining its logistical requirements to enable us to shorten our production lead time.

In addition, the construction of our new facility adjacent to the new 8.5G panel fab in Beijing, China, got underway. This facility is scheduled to commence operations with an initial annual capacity of 2 million LCD display units in late 2011, which will coincide with the launch of mass production at the panel fab next door.

Our two joint-venture (JV) manufacturing plants with LG Display Co., Ltd in China were commissioned during 2010. The one in Xiamen began shipping LCD



TV modules and sets in March; while the other, in Fuqing, started shipping monitor modules and sets in May. Both plants are receiving good order flows from customers, and they are contributing to the Group's bottom line.

Two more JV agreements were signed with AU Optronics Corporation in March and September 2010. These cover new LCD-module assembly lines in Poland and Brazil to cater for the fast-growing demand for TVs and the requirements of customers in both regions. They are due to commence production in 2011.

Furthermore, in June 2010 we entered into a JV with Everlight Electronics Co., Ltd. and Epistar Corporation for the design and manufacturing of LED light bars in China. The JV benefits TPV with a captive supply and it is enabling us to exercise better control over components.

On the product front, TPV set up a JV with Inventec to leverage on the increasing demand for AIO (all-in-one) PCs. The JV shipped its first original design manufacturing (ODM) order in July 2010. The JV allows both partners to leverage on each other's know how and capabilities in PC design and display technology, thus shortening the learning curve in a highly competitive and fast-growing market segment.

Research and Development (R&D)

TPV is committed to staying abreast of rapid technological evolution and maintaining our competitiveness in the industry through continuous investment in R&D resources.

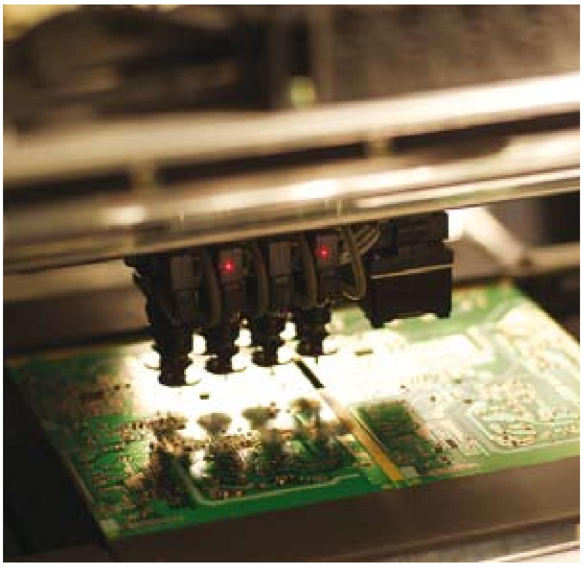
We continued to work on LED-backlit solutions to provide cost-effective designs for customers in 2010, and we launched a total of 800 LED-backlit models last year.

To keep pace with technological trends, our R&D team has also been working with various solution providers to come up with design roadmaps for 3D and touch-screen display products. Many of these new designs have now passed critical quality tests, and we expect to introduce products incorporating their new features under our own brand later this year. Meanwhile, we are keeping a watchful eye on the development of smart TV, which we believe is going to be the next big catalyst for TV demand.

Workforce

As at 31st December 2010, TPV employed 37,473 people worldwide. Our employees were remunerated in accordance with industry practice in the locations where they worked. The Group provides regular training to 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 labor market in China, we introduced enhanced welfare benefits and compensation schemes to attract and retain these valuable assets to our business.

Management Discussion and Analysis cont'd



Outlook

As the result of concerted efforts by brands, distributors and retailers, as well as aggressive promotional campaigns and price cuts, the inventories of TV and monitor products had declined to healthier levels by the end of 2010. We believe this will stabilize the pricing environment in the near term.

The market for PC monitors is now quite mature. The high penetration rate and adverse economic conditions have meant that demand for them has remained fairly mute during the past few years. Display Search, an independent research firm, projects that global shipments in 2011 will total around 181 million units, a year-on-year growth rate of 5.3 percent.

Even so, we are aware that there are millions of ageing PC monitors sitting around in offices worldwide. These will have to be replaced one day. New features – such as LED technology, touch technology, TV and multi-media functions – will keep replacement demand at a relatively stable level for many years to come. Moreover, the consolidation of the PC monitor industry has more or less been completed. TPV's preeminent position in this stable high-volume market offers us excellent long-term growth potential.

Meanwhile, more and more new features and innovations are being introduced in the LCD TV product segment, and its growth momentum is set to continue in the coming years. Demand in developing regions will be almost the same as in developed ones during 2011, and China will overtake North America as the world's largest single LCD TV market. In fact, industry surveys forecast that LCD TV shipments will total 217 million units in 2011, a 13 percent year-on-year increase. Of this, about half will be destined for developing regions.

TPV's well-established foothold in the TV ODM segment is another of our strengths. It will become increasingly significant as the need for brands to drive down their costs will fuel the trend towards outsourcing.

LED-backlit displays will be the market's main focus in 2011. Technological advances and an abundant supply of LED chips will significantly narrow the gap between the prices (and hence the sales figures) of CCFL-backlit and LED-backlit displays. The market penetration rate of LED-backlit PC monitors is expected to hit 30 percent in 2011, and that of LCD TVs will exceed 50 percent in 2011.

Finally, the market for TVs with 3D features and Internet connectivity is also expected to grow significantly. Due to falling prices, the availability of more content and improved technology, worldwide shipments of 3D TVs are projected to rise to 20 million units in 2011. On the other hand, shipments of Internet-connected units will exceed 40 million. TPV is excited about these developing trends, and we are ready to ship such new products as the demand for them surges.

Liquidity, Financial Resources and Capital Structure

As at 31st December 2010, the Group's cash and bank balances (including pledged bank deposit) totaled US$186.7 million (31st December 2009: US$270.4 million). Credit facilities secured from banks totaled US$3.9 billion (31st December 2009: US$3.2 billion), of which US$1.5 billion was utilised (31st December 2009: US$0.48 billion).

All bank loans were borrowed on a floating-rate basis. The maturity profile of our debts as of 31st December 2010 was a follows:

Duration	**2010** **US$'000**	2009 US$'000
Within one year	**472,533**	209,212
In the second year	**-**	6,124

Our inventory turnover days improved slightly from 36.8 days in 2009 to 35.8 days at the end of December 2010. Trade receivable turnover days declined to 63.9 days (31st December 2009: 73.8 days) while trade payable turnover days stood at 69.1 days (31st December 2009: 69.1 days).

The Group's gearing ratio, representing the ratio of total borrowings to total assets, rose to 9.2 percent, compared to 5.2 percent in 2009. The current ratio was 126.1 percent at the end of 2010 (31st December 2009:127.0 percent).

Foreign Exchange Risk

As at 31st December 2010, the total notional principal amounts of the Group's outstanding foreign exchange forward contracts were as follows:

	2010 **US$'000**	2009 US$'000
Sell Renminbi for US dollars	**3,678,641**	2,853,000
Sell US dollars for Renminbi	**3,266,000**	2,858,000
Sell Japanese Yen for US dollars	**56,900**	5,800
Sell Euros for US dollars	**208,254**	73,719
Sell Brazilian Reals for US dollars	**49,800**	42,500
Sell Indian Rupees for US dollars	**11,000**	10,000
Sell British Pounds for US dollars	**7,077**	-
Sell US dollars for Russian Ruble	**765**	-
Sell US dollars for New Taiwan Dollars	**17,000**	-
Sell HK dollars for US dollars	**-**	3,000
Sell Mexican Peso for US dollars	**-**	1,400

Report of the Directors

The directors submit their annual report together with the audited consolidated financial statements for the year ended 31st December 2010.

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 US0.76 cent per ordinary share, totaling approximately US$17,828,000 which was paid on 14th October 2010.

The directors recommend the payment of a final dividend of US1.40 cents per ordinary share, totaling approximately US$32,842,000 in respect of the year ended 31st December 2010.

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 Thursday, 19th May 2011.

The registers of members of the Company will be closed from Thursday, 19th May 2011 to Friday, 20th May 2011, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend and to attend the annual general meeting to be held on Friday, 3rd June 2011, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 18th May 2011 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, not later than 5:00 p.m. on Wednesday, 18th May 2011 (as the case may be).

The dividend cheques will be distributed to shareholders on or about Wednesday, 8th June 2011.

RESERVES

Movements in the reserves of the Company and of the Group during the year are set out in Note 28 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$411,000.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 27 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

The remaining number of shares available for issue under the New Scheme is 189,583,613, representing 8.08 percent of the issued share capital of the Company 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 2010, no share options have been granted or cancelled.

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31st December 2010 and options exercised and lapsed during the year were as follows:

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 01/01/2010	Exercised	Lapsed	As at 31/12/2010
Directors							
Mr Chan Boon Teong	12/12/2007	5.75 (Note 1)	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	5.75 (Note 1)	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	5.75 (Note 1)	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
Employees	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	4,071,605	0	(138,000)	3,933,605
			12/12/2009–11/12/2012	6,107,408	0	(207,000)	5,900,408
			12/12/2010–11/12/2012	10,179,013	0	(345,000)	9,834,013
				21,358,026	0	(690,000)	20,668,026

Note:

(1) These options are exercisable at HK$5.75 (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.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2010, including contributed surplus, amounted to approximately US$98,517,000.

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 129.

PURCHASE, SALE AND REDEMPTION OF SHARES

On 16th March 2010, the Company issued 234,583,614 new shares (the “New Shares”) to Mitsui & Co., Ltd. (“Mitsui”) at a price of HK$5.20 (the “Subscription Price”) pursuant to the subscription agreement entered by the Company and Mitsui on 28th January 2010 (the “Subscription Agreement”). Total subscription amount was HK$1,219,834,793. The New Shares represented approximately 11.11% of the issued share capital of the Company prior to the issue. The Subscription Price represented a premium of approximately 6.56% over the closing price of HK$4.88 on 28th January 2010, being the date of the Subscription Agreement. The proceeds of HK$1,219,834,793 was applied towards the general working capital of the Group.

Saved as disclosed above, the Company had not redeemed any of its shares during the year and 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 were:

Executive Directors
Dr Hsuan, Jason

Non-executive Directors

Mr Liu Liehong	
Mr Lu Ming	
Ms Wu Qun	
Mr Xu Haihe	
Mr Du Heping	
Mr Tam Man Chi	
Mr Robert Theodoor Smits	
Mr Junichi Kodama	(appointed on 7th June 2010)
Mr Chen Yen-Sung	
Mr Maarten Jan de Vries	(resigned on 9th April 2010)

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

DIRECTORS (Continued)

Notes:

(1) In accordance with Bye-law 99 of the Company's Bye-laws, Mr Lu Ming, Mr Robert Theodoor Smits, Mr Chen Yen-Sung and Mr Wong Chi Keung will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

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

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

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Dr Hsuan, Jason

Aged 67, joined the Group in 1990 and has been the chairman and chief executive officer of the Company since 1999. He is also the member of remuneration committee of the Company and a director of certain subsidiaries of the Company. Dr Hsuan is responsible for the overall corporate policies and business development of the Company and its subsidiaries. Before joining the Company, he had over 19 years of managerial experience in well-known multi-national listed enterprises which include General Electric Company and PepsiCo Inc. Dr Husan graduated from the 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, a company listed on the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, in December 2009. Dr Hsuan is the brother-in-law of Dr Chen Nai-Yung, vice president and chief information officer of the Company.

Non-executive Directors

Mr Liu Liehong

Aged 42, obtained his MBA degree from Xi'an Jiaotong University, China and titles of senior engineer and researcher. He has rich experience in managing large enterprises. Mr Liu is the chairman of the board, the executive director and chairman of strategic development and risk control committee of Great Wall Technology Company Limited (a company listed on the Stock Exchange of Hong Kong Limited), the director and general manager of China Electronics Corporation, the chairman of the board of China Electronics Industry Corporation and CEC Corecast Company Limited (a company listed on Shanghai Stock Exchange). He previously served as the chairman of the board, legal representative and non-executive director of CCID Consulting Company Limited (a company listed on the Stock Exchange of Hong Kong Limited), the president of China Center of Information Industry Development, the deputy general manager, the director of the Second Research, the deputy director of the Twenty Nine Research Institute of China Electronics Technology Group Corporation. He received a series of awards including "Outstanding Young Scientists of Shan Xi Province", "Outstanding Youth Management Experts of Shan Xi Province" and "Outstanding Young Entrepreneurs of Shan Xi Province". Mr Liu became a non-executive director of the Company in October 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-executive Directors (Continued)

Mr Lu Ming

Aged 61, graduated from Chinese Academy of Sciences with a Master's degree in Computer Science. He then learnt from Professor Ding Zhaozhong, Samuel in Germany. Mr Lu has over 29 years of information technology experience. Mr Lu is one of the founders of China Great Wall Computer Group Company ("Great Wall Group"). He has been the vice president of China Electronics Corporation, the vice president, president and chairman of the board of Great Wall Technology Company Limited (a company listed on the Stock Exchange of Hong Kong Limited), the vice chairman of China Great Wall Computer Shenzhen Company Limited (a company listed on Shenzhen Stock Exchange). He is currently a director of the Great Wall Group, an executive director and a member of nomination and remuneration committee of Great Wall Technology Company Limited and a director of Shenzhen Kaifa Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange). Mr Lu was appointed as a non-executive director of the Company in December 2007. He was also appointed as a member of the remuneration committee of the Company in November 2009.

Ms Wu Qun

Aged 51, a graduate of the Research Institute for Fiscal Science, Ministry of Finance, China with a Doctorate degree in Accounting and received a title of senior accountant. Ms Wu has solid experience in capital and asset management. Currently, she is the general manager of China Electronics Corporation's asset management department, the chairman of the board of CEC Huahong International Company Limited, a director of Shanghai Hua Hong (Group) Co., Ltd., a director of China Integrated Circuit Design (Group) Corp., Ltd. and a director of Great Wall Information Industry Co., Ltd. (a company listed on Shenzhen Stock Exchange). She was previously appointed as the deputy general manager of China Electronics Corporation's asset management department, the general manager of China Electronics Industry Corporation's finance department, a director of management and consulting department of Deloitte Touché Tohmatsu CPA Limited, a director of Deloitte Beijing substation department of risk management, the supervisor, accounting department of Research Institute for Fiscal Science, Ministry of Finance, China. Ms Wu was appointed as a non-executive director of the Company in October 2009.

Mr Xu Haihe

Aged 56, graduated from China Central Finance and Economics College, China with a major in accounting and received a title of senior accountant. He also obtained his MBA degree from School of Business of Renmin University of China. Mr Xu has extensive experience in the field of enterprise management as well as financial management. He is the general manager of China Electronics Corporation's finance department, a director of Shenzhen SED Electronics (Group) Company Ltd., a director of China National Software and Service Company Limited (a company listed on Shanghai Stock Exchange), a director of CEC CoreCast Company Limited (a company listed on Shanghai Stock Exchange). He previously severed as the general manager of China National Electronics Materials Corporation, a director of Amoi Electronics Co., Ltd. (a company listed on Shanghai Stock Exchange). Mr Xu 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 Du Heping

Aged 56, a graduate of Party School of the Central Committee of Communist Party of China, specializing in Economic Management and obtained a title of senior business operator. He has extensive experiences in the field of science and technology development, production management as well as quality management. He is the president and executive director of Great Wall Technology Company Limited (a company listed on the Stock Exchange of Hong Kong Limited), the chairman and secretary of the Communist Party of China Great Wall Computer Shenzhen Computer Limited (a company listed on Shenzhen Stock Exchange), a director of Shenzhen Kaifa Technology Company Limited (a company listed on Shenzhen Stock Exchange), a director of China Great Wall Computer (H.K.) Holding Limited and a director of Guilin Changhai Technology Company Limited. He is the chairman of Shenzhen Computer Industry Association, the vice chairman of Shenzhen Municipal Science and Technology Association, the vice chairman of Shenzhen Computer Society, the chairman of the Association of Volunteers for Science Popularization in Shenzhen. He has been the deputy general manager, the vice president and the secretary to the board of directors of China Great Wall Computer Shenzhen Company Limited (a company listed on Shenzhen Stock Exchange), the organizing officer in charge and factory manager of Great Wall Power Supplies Factory. Mr Du has been awarded the title of "Top 10 Outstanding Enterprisers of listed Companies in Guangdong 2010" in December 2010. Mr Du was appointed as a non-executive director of the Company in October 2009.

Mr Tam Man Chi

Aged 63, was appointed as a non-executive director of the Company in October 2009. He has extensive experience in research and development and business administration. Mr Tam is an executive director of Great Wall Technology Company Limited (a company listed on the Stock Exchange of Hong Kong Limited), a director of China Great Wall Computer Shenzhen Company Limited (a company listed on Shenzhen Stock Exchange), the chairman of Shenzhen Kaifa Technology Co., Limited (a company listed on Shenzhen Stock Exchange), the director and president of Shenzhen Kaifa Magnetic Recording Company Limited, the director of Kaifa Technology (H.K.) Limited, the co-chairman of the board, non-executive director as well as the chairman of remuneration committee of O-Net Communications (Group) Limited (a company listed on the Stock Exchange of Hong Kong Limited), the director of O-Net Communications Limited, the chairman of the board of O-Net Communications (Shenzhen) Company, a director of ExcelStor Group Limited, a director of ExcelStor Technology (Shenzhen) Limited, a director of Shenzhen Hai Liang Storage Products Co., Ltd., a vice-chairman of Shenzhen KTM Glass Substrate Co., Ltd. Mr Tam obtained several awards including the "Shenzhen Honor Citizen" in 1994, the "National Friendship Award" in 1995 and the title of "Excellent Worker of Guangdong Province" in 2006.

Mr Robert Theodoor Smits

Aged 59, graduated from the University of Amsterdam, the Netherlands with a degree in Business Economics. Mr Smits has over 33 years of experience in international sales, marketing as well as general management. He joined the Major Domestic Appliances Division of the Philips Consumer Lifestyle B.V. ("Philips Consumer") in 1977 and he has worked for Philips Consumer around the world. He was previously leader of Business Unit - Shaving and Beauty of Philips Consumer since 2004. From 2004 to 2007, Mr Smits drove a new innovation wave throughout Shaving & Beauty, delivering double digit performance results. He was appointed to the position of Business Unit Leader of Philips Consumer on 1st April 2008. Mr Smits was appointed as a non-executive director of the Company in December 2008.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-executive Directors (Continued)

Mr Junichi Kodama

Aged 55, was appointed as a non-executive director of the Company in June 2010. He graduated from Tokyo University with major in Mechanical Engineering, and received his MBA degree from Sloan School of Management in Massachusetts Institute of Technology in 1988. He joined Mitsui & Co., Ltd. ("Mitsui"), which is one of the biggest trading firms in Japan, in 1979. Now he is the general manager of EMS Business Division in IT Business Unit of Mitsui. Mr Kodama had worked in fine chemical industry for 10 years, and worked in display industry for 20 years. Mr Kodama has lots of network in PC industry as well as in TV and FPD industry. Mr Kodama also has extensive experience in enterprise investment and management.

Mr Chen Yen-Sung

Aged 45, graduated from National Taiwan University with a major in Economics, and received his MBA degree from the Wharton School of the University of Pennsylvania in 1995. Mr Chen was appointed as a director of China Electronic MFG. Corporation (a company listed on Taiwan Stock Exchange) in March 2010 and the president of Chimei Lighting Technology Corporation in November 2010. He is also the chief financial officer of Chimei Innolux Corporation ('CMI') (formerly known as Innolux Display Corporation. CMI was named after the merger of Innolux Display Corporation, Chi Mei Optoelectronics Corporation and TPO Displays Corporation in March 2010), a company listed on Taiwan Stock Exchange. He is responsible for CMI's accounting and finance units. Since joining CMI in 2001, Mr Chen has held various positions, including the finance manager, the finance director, the associate vice president of administration unit. Mr Chen has successfully planned and executed several fund-raising and financial projects of diverse natures, ensuring the necessary financial resources that fueled CMI's high growth and expansion over the past few years. Mr Chen was the finance manager of Taiwan Semiconductor Manufacturing Company Limited (a company listed on Taiwan Stock Exchange) from 1998 to 2001. Mr Chen is also experienced in professional finance sector. Mr Chen has worked for more than 6 years in several 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 68, graduated from Imperial College of the University of London with a Bachelor's degree in Electrical Engineering. Mr Chan also holds Master's degrees 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 Committee of the 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 1998. He is also the chairman of audit committee and remuneration committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-executive Directors (Continued)

Dr Ku Chia-Tai

Aged 68, holds a Bachelor's degree in Electrical Engineering from National Cheng Kung University, Taiwan, a Master's degree in Electrical Engineering from Rutgers, the State University of New Jersey, USA and a Doctorate degree in Electrical Engineering from the University of Pittsburgh, USA. Dr Ku has over 30 years of managerial experience in both computer and telecommunications industries. He is currently an independent director of Systex Corporation (a company listed on Taiwan Stock Exchange). He was the general manager of Wang Computer (Taiwan) Limited, the president of GTE Taiwan Communication Systems Limited, the president of Siemens Telecom Systems Limited and the president of Beijing Switching International Co.. Dr Ku was appointed as an independent non-executive director of the Company in 1998. He is also the member of audit committee and remuneration committee of the Company.

Mr Wong Chi Keung

Aged 56, holds a MBA degree from the University of Adelaide, 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 corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the Securities and Futures Ordinance of Hong Kong.

Mr Wong was 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 Stock Exchange of Hong Kong Limited, for over ten years. He is also an independent non-executive director and a member of the audit committee of ENM Holdings Limited, Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Limited, China Ting Group Holdings Limited, Golden Eagle Retail Group Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, and Ngai Lik Industrial Holdings Limited, all of these companies are listed on the Stock Exchange of Hong Kong Limited. Mr Wong is also an independent non-executive director of First Natural Foods Holdings Limited (Provisional Liquidators appointed) and FU JI Food and Catering Services Holdings Limited (Provisional Liquidators appointed), which are both listed on The Stock Exchange of Hong Kong Limited. Mr Wong has over 34 years of experience in finance, accounting and management. Mr Wong was appointed as an independent non-executive director of the Company in August 2004. He is also the member of audit committee and remuneration committee of the Company.

Senior Management

Mr Houng Yu-Te

Aged 64, senior vice president and chief financial officer of the Company, is responsible for the general administration and financial operations of the Company and its subsidiaries. Mr Houng holds a Bachelor's degree in Accounting from Soochow University, Taiwan. Before joining the Company 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 accounting and finance operations.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Mr Hsieh Chi-Tsung

Aged 59, senior vice president of the Company, is in charge of the ODM sales and procurement of raw materials of the Company and its subsidiaries. Mr Hsieh holds a Bachelor's degree in Mechanical Engineering from Feng Chia University, Taiwan and an EMBA degree from the National Taipei University. Prior to his accession in 1994, Mr Hsieh worked for a number of well-known monitor manufacturers in Taiwan as purchasing supervisor for over 23 years.

Mr Lu Being-Chang

Aged 63, senior vice president of the Company, is in charge of new product planning, research and development of the Company and its subsidiaries. Mr Lu graduated from National Cheng Kung University, Taiwan with a Bachelor's degree in Science and a Master's degree in Electrical Engineering. Immediately before joining the Company in 1999, he served Sampo Electronic Company, a company listed on Taiwan Stock Exchange, for over 25 years and was in charge of products manufacturing, international sales, research and development.

Mr Lee Neng-Sung

Aged 60, vice president and general manager of monitor business unit of the Company, is in charge of products research and development of the Company and its subsidiaries. Mr Lee graduated from National Chiao Tung University, Taiwan with a Bachelor's degree in Electronic Engineering and a MBA degree in the same university. Prior to his accession in 2002, he worked for Sampo Electronic Company, a company listed on Taiwan Stock Exchange, for over 20 years and was in charge of products manufacturing, research and development.

Mr Lu Che-Chiang

Aged 52, vice president of research and development department and general manager of consumer electronic product unit of the Company, is in charge of products research and development of the Company and its subsidiaries. Mr Lu holds a Bachelor's degree in Communication Engineering from National Chiao Tung University, Taiwan and an EMBA degree from Shanghai Chiao Tung University, China. Prior to his accession in 2006, Mr Lu had 28 years of experience in research and development.

Dr Chen Nai-Yung

Aged 60, vice president and chief information officer of the Company, is in charge of the information technology, human resources and non-production purchasing of the Company and its subsidiaries. Dr Chen graduated from National Taiwan University, Taiwan with a Bachelor's degree in Electrical Engineering and a Doctorate degree in Electrical Engineering from the University of Rhode Island, USA. Prior to joining the Company in 2008, he worked for the Texas Instruments Incorporated, a company listed on New York Stock Exchange and Semiconductor Manufacturing International Corporation, a listed company on the Stock Exchange of Hong Kong Limited. Dr Chen is the brother-in-law of Dr Hsuan, Jason, the chairman and chief executive officer of the Company.

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 2010, 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)	24,754,803

Notes:

(1) The interest of Dr Hsuan, Jason disclosed herein includes the holding of 24,754,803 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".

Save as disclosed above, as at 31st December 2010, 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 2010, the Company has no ultimate holding company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2010, 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 of the Company

Name of shareholder	Number of shares held (long position)
China Electronics Corporation ("CEC")	822,408,647 (Note 1, 2)
China Great Wall Computer Group Company	570,450,000 (Note 1, 2)
Great Wall Technology Co., Ltd. ("GWT")	570,450,000 (Note 1, 2)
China Great Wall Computer (Shenzhen) Co., Ltd. ("CGCSZ")	570,450,000 (Note 1, 2)
China Great Wall Computer (H.K.) Holding Limited ("CGCHK")	370,450,000 (Note 1, 2)
China National Electronics Imp. & Exp. Corporation	251,958,647 (Note 1, 2)
CEIEC (H.K.) Limited ("CEIEC HK")	251,958,647 (Note 1, 2)
Mitsui & Co., Ltd. ("Mitsui")	473,482,590 (Note 2)
Chimei Innolux Corporation ("CMI")	150,500,000 (Note 3)
Chimei Corporation ("CMC")	150,500,000 (Note 3)

Notes:

(1) CGCHK, CGCSZ and CEIEC HK are the registered holders of the aggregate of 822,408,647 Shares held within the CEC Group, of which 370,450,000 Shares are held by CGCHK, 200,000,000 Shares are held by CGCSZ, and 251,958,647 Shares are held by CEIEC HK. CGCHK is a wholly-owned subsidiary of CGCSZ. CGCSZ is owned as to 53.92% by GWT. GWT is a company owned as to 62.11% by China Great Wall Computer Group Company, which is a wholly-owned subsidiary of CEC. CEIEC HK is an indirectly wholly-owned subsidiary of CEC.

(2) CEC, CEIEC HK and Mitsui are parties to a consortium agreement dated 28 January 2010 (the "Consortium Agreement") and to a shareholders' agreement dated 28 January 2010 (the "Shareholders' Agreement"). The Consortium Agreement and the Shareholders' Agreement are agreements to which S.317(a) of the SFO applies. CEC and Mitsui are acting in concert with each other in respect of their aggregate 1,295,891,237 Shares.

(3) These Shares are held by CMI. CMI is owned as to 13.57% by CMC, and as to 3.57% by Linklinear Development Co. Ltd., which in turn is owned as to 54.22% 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	11.4%
— five largest suppliers combined	36.8%

Sales

— the largest customer	9.9%
— five largest customers combined	35.1%

Koninklijke Philips Electronics N.V., being a shareholder of the Company, has beneficial interest in one of the five largest customers and one of the five largest suppliers disclosed above during the year. CMI 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 42 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")

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 Component Sourcing Agreement (details of which are contained in the 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 25th November 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 2010 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	the sales to the Philips Group by the Group for the supply and delivery of products (as defined in the 2009 Circular) under the Supply Agreement	US$171,949,000	US$1,520,000,000
(ii)	the purchase of Components (as defined in the 2009 Circular) by the Group from the Philips Group under the Component Sourcing Agreement	US$106,018,000	US$1,338,000,000

(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")).

As each of the relevant percentage ratios of the Royalty Annual Caps (as defined in the February 2009 Circular) was less than 2.5%, the transactions contemplated under the Trademark License Agreement were subject to the reporting and announcement but exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of these continuing connected transactions for the year ended 31st December 2010 are as follows:

		Transaction amounts of the continuing connected transactions	Royalty Annual caps
(i)	Royalty paid or 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	Nil	US$7,300,000

Note: Philips Group ceased to be a connected party to the Company on 9th March 2010.

Transaction with the Mitsui and associates (the "Mitsui Group")

The following transactions between the Group and the Mitsui Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement and Component Sourcing Agreement (details of which are contained in the Circular to shareholders dated 31st March 2010 (the "March 2010 Circular")).

CONNECTED TRANSACTIONS (Continued)

Transaction with the Mitsui and associates (the "Mitsui Group") (Continued)

At the special general meeting of shareholders held on 21st April 2010, 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 2010 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	the sales to the Mitsui Group by the Group for the supply and delivery of Products (as defined in the March 2010 Circular) under the Supply Agreement	US$298,046,000	US$827,000,000
(ii)	The purchase of Components (as defined in the March 2010 Circular) by the Group from the Mitsui Group under the Component Sourcing Agreement	US$254,683,000	US$813,000,000

Transaction with the CGCSZ Group (the "CGCSZ Group")

The following transactions between the Group and the CGCSZ Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement (details of which are contained in the Circular to shareholders dated 6th July 2010 (the "July 2010 Circular")).

At the special general meeting of shareholders held on 27th July 2010, 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 2010 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	the sales to the CGCSZ Group by the Group for the supply and delivery of Products (as defined in the July 2010 Circular) under the Supply Agreement	US$36,000	US$56,000,000

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 (i) in the ordinary and usual course of business of the Group (ii) conducted in accordance with the respective agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole (iii) on terms no less favourable than those available to or from independent third parties and (iv) the aggregate amount of each class of the continuing connected transactions for the financial year ended 31st December 2010 has not exceeded their respective annual caps.

CONNECTED TRANSACTIONS (Continued)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter and reported that in respect of the continuing connected transactions:

a. nothing has come to his attention that causes him to believe that the continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 9th February 2009, 6th October 2009, 16th March 2010 and 21st June 2010 made by the Company in respect of each of the continuing connected transactions.

SUBSEQUENT EVENTS

Details of significant events after the year ended 31st December 2010 are set out in Note 43 to the consolidated financial statements.

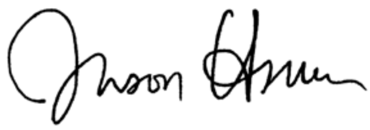
PUBLIC FLOAT

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, 23rd March 2011

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31st December 2010, 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 code 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 seven meetings during 2010. 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 2010	Number of Board meetings attended
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	7	7
Mr Liu Liehong	7	3
Mr Lu Ming	7	7
Ms Wu Qun	7	6
Mr Xu Haihe	7	4
Mr Du Heping	7	5
Mr Tam Man Chi	7	6
Mr Robert Theodoor Smits	7	5
Mr Junichi Kodama (appointed on 7th June 2010)	2	2
Mr Chen Yen-Sung	7	5
Mr Chan Boon Teong	7	7
Dr Ku Chia-Tai	7	6
Mr Wong Chi Keung	7	7
Mr Maarten Jan de Vries (resigned on 9th April 2010)	4	1

Note: Mr Liu Liehong, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping, Mr Tam Man Chi and Mr Maarten Jan de Vries abstained from attending one board meeting to avoid possible conflicts of interest.

THE BOARD (Continued)

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

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 one executive director, namely Dr Hsuan, Jason (Chairman), ten non-executive directors, namely Mr Liu Liehong, Mr Lu Ming, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping, Mr Tam Man Chi, Mr Robert Theodoor Smits, Mr Junichi Kodama (who was appointed on 7th June 2010), Mr Chen Yen-Sung and Mr Maarten Jan de Vries (who resigned on 9th April 2010) 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.

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 practices of the CG Code to establish 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 2010, the Board of Directors reviewed and approved the appointment of Mr Junichi Kodama and the resignation of Mr Maarten Jan de Vries. 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 2010.

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 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, Mr Lu Ming is a non-executive director of the Company and Dr Hsuan, Jason is the chairman and chief executive officer of the Company. The Remuneration Committee held three meetings during 2010. 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	3/3
Dr Hsuan, Jason	3/3

During its meetings, the Remuneration Committee discussed and reviewed the remuneration packages of the directors, and the remuneration policy and structure regarding the senior management and other employees of the Group in 2010. To avoid conflicts of interest, the directors' fees of independent non-executive directors were discussed and approved by the full Board and the independent non-executive directors have abstained from voting in this regard.

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 fulfill 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.

ACCOUNTABILITY AND AUDIT (Continued)

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 2010, 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 Department 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 2010, 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. Internal audits are conducted once a year for significant business units and on a rotation basis for other business units. All internal audit reports are submitted to the Audit Committee for review and approval.

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 2010. The attendance of its individual members at these meetings was as follows:

Name of director	Number of attendances
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 2010;
— Reviewing and recommending the interim financial statements for the six months ended 30th June 2010;
— Reviewing and recommending the quarterly results;
— Reviewing the accounting policies adopted by the Group;
— Monitoring and analyzing connected transactions entered into by the Group during the year;
— Reviewing and approving the internal audit plan for 2011;
— 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;
— 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 2011. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 3rd June 2011.

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	1,709
Non-audit services	
— Tax compliance	689
— Other	37
	2,435

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 scrutinized 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

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 128, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2010 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, 23rd March 2011

Consolidated Income Statement

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	2010 US$'000	2009 US$'000
Revenue	5	**11,631,576**	8,031,972
Cost of goods sold		**(11,007,331)**	(7,562,253)
Gross profit		**624,245**	469,719
Other income	6	**30,620**	22,715
Realised and unrealised gains/(losses) on foreign exchange forward contracts — net		**35,961**	(13,334)
Net exchange gains		**23,079**	38,734
Others		**3,829**	11,968
Other gains—net	7	**62,869**	37,368
Selling and distribution expenses		**(280,726)**	(175,548)
Administrative expenses		**(120,913)**	(93,934)
Research and development expenses		**(105,459)**	(80,152)
Operating profit	8	**210,636**	180,168
Finance income	10	**2,632**	4,428
Finance costs	10	**(16,740)**	(13,633)
Finance costs — net		**(14,108)**	(9,205)
Share of profit/(loss) of:			
Associates		**6,758**	3,483
Jointly controlled entities		**(1,614)**	—
Profit before income tax		**201,672**	174,446
Income tax expense	11	**(42,734)**	(31,969)
Profit for the year		**158,938**	142,477
Profit attributable to:			
Equity holders of the Company	12	**169,349**	141,214
Non-controlling interests		**(10,411)**	1,263
		158,938	142,477
Earnings per share for profit attributable to the equity holders of the Company	13		
— Basic		**US7.37 cents**	US6.69 cents
— Diluted		**US7.08 cents**	US6.25 cents
Dividends	14	**50,670**	42,226

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 US$'000	2009 US$'000
Profit for the year	**158,938**	142,477
Other comprehensive income:		
Fair value (losses)/gains on available-for-sale financial assets	**(165)**	3,410
Exchange differences	**6,250**	6,984
Other comprehensive income for the year, net of tax	**6,085**	10,394
Total comprehensive income for the year	**165,023**	152,871
Attributable to:		
— Equity holders of the Company	**175,434**	151,608
— Non-controlling interests	**(10,411)**	1,263
Total comprehensive income for the year	**165,023**	152,871

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

Consolidated Balance Sheet

AS AT 31ST DECEMBER 2010

	Note	2010 US$'000	2009 US$'000
Assets			
Non-current assets			
Intangible assets	15	**406,798**	408,045
Property, plant and equipment	16	**458,958**	366,845
Land use rights	17	**27,408**	23,797
Investment properties	18	**28,246**	11,899
Investments in associates	20	**30,276**	18,006
Investments in jointly controlled entities	21	**11,020**	—
Available-for-sale financial assets	22	**2,155**	3,177
Deferred income tax assets	30	**10,949**	11,690
		975,810	843,459
Current assets			
Inventories	23	**1,305,003**	856,213
Trade receivables	24	**2,193,205**	1,881,460
Deposits, prepayments and other receivables	24	**393,281**	280,885
Financial assets at fair value through profit or loss	25	**2,562**	2,920
Current income tax recoverable		**5,431**	657
Derivative financial instruments	34	**65,103**	18,832
Pledged bank deposit	26	**2,311**	—
Cash and cash equivalents	26	**184,426**	270,438
		4,151,322	3,311,405
Total assets		**5,127,132**	4,154,864
Equity			
Equity attributable to the Company's equity holders			
Share capital	27	**23,458**	21,112
Other reserves	28	**1,737,191**	1,454,913
Proposed final dividend	28	**32,842**	29,558
		1,793,491	1,505,583
Non-controlling interests		**2,529**	2,039
Total equity		**1,796,020**	1,507,622

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

	Note	2010 US$'000	2009 US$'000
Liabilities			
Non-current liabilities			
Borrowings	29	—	6,124
Deferred income tax liabilities	30	9,526	—
Pension obligations	31	5,836	5,061
Other payables and accruals		22,460	28,759
		37,822	39,944
Current liabilities			
Trade payables	32	2,235,310	1,931,721
Other payables and accruals		434,883	367,299
Current income tax liabilities		16,415	14,220
Warranty provisions	33	70,312	67,272
Derivative financial instruments	34	63,837	17,574
Borrowings	29	472,533	209,212
		3,293,290	2,607,298
Total liabilities		3,331,112	2,647,242
Total equity and liabilities		5,127,132	4,154,864
Net current assets		858,032	704,107
Total assets less current liabilities		1,833,842	1,547,566

Dr Hsuan, Jason
Director

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

Balance Sheet

AS AT 31ST DECEMBER 2010

	Note	2010 US$'000	2009 US$'000
Assets			
Non-current assets			
Intangible assets	15	**160**	215
Investments in subsidiaries	19	**798,514**	797,710
		798,674	797,925
Current assets			
Amounts due from subsidiaries	19	**172,414**	215,714
Cash and cash equivalents	26	**372**	1,190
		172,786	216,904
Total assets		**971,460**	1,014,829
Equity			
Equity attributable to the Company's equity holders			
Share capital	27	**23,458**	21,112
Other reserves	28	**894,405**	753,055
Proposed final dividend	28	**32,842**	29,558
		950,705	803,725
Current liabilities			
Other payables and accruals		**755**	1,892
Borrowings	29	**20,000**	209,212
		20,755	211,104
Total liabilities		**20,755**	211,104
Total equity and liabilities		**971,460**	1,014,829
Net current assets		**152,031**	5,800
Total assets less current liabilities		**950,705**	803,725

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 2010

	Share capital US$'000	Other reserves US$'000	Non-controlling interests US$'000	Total US$'000
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, net of tax	–	151,608	1,263	152,871
Transaction with owners				
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
Balance at 1st January 2010	21,112	1,484,471	2,039	1,507,622
Comprehensive income:				
Profit/(loss) for the year	–	169,349	(10,411)	158,938
Other comprehensive income:				
Net fair value losses on available-for-sale financial assets	–	(165)	–	(165)
Exchange differences	–	6,250	–	6,250
Total comprehensive income for the year, net of tax	–	175,434	(10,411)	165,023
Transaction with owners				
Employee share option scheme:				
– Employee share-based compensation benefits	–	804	–	804
Waiver of entitlement by non-controlling interests	–	1,919	(1,919)	–
Non-controlling interests' contribution to new subsidiaries	–	–	12,820	12,820
Proceeds from shares issued	2,346	154,791	–	157,137
Dividends paid	–	(47,386)	–	(47,386)
Balance at 31st December 2010	23,458	1,770,033	2,529	1,796,020

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER 2010

	Note	2010 US$'000	2009 US$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	37	(188,958)	661,930
Interest paid		(15,438)	(10,436)
Income tax paid		(35,183)	(17,995)
Net cash (used in)/generated from operating activities		(239,579)	633,499
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		7,449	3,457
Proceeds from disposal of an available-for-sale financial asset		—	532
Proceeds from disposal of investment properties		—	3,622
Purchase of property, plant and equipment		(206,067)	(114,638)
Purchase of land use rights		(7,327)	(3,760)
Purchase of financial assets at fair value through profit or loss		—	(1,962)
Purchase of intangible assets		(2,500)	—
Interest received		2,632	4,428
Investments in associates		(14,810)	—
Investments in jointly controlled entities		(7,840)	(8,100)
Acquisition of subsidiary, net of cash acquired	41	(763)	—
Proceeds from disposal of subsidiary, net of cash disposed	41	(2,089)	—
Dividends received from an associate		8,102	—
Net cash used in investing activities		(223,213)	(116,421)
Cash flows from financing activities			
Inception of long-term bank borrowings		—	6,124
Net inception/(repayments) of short-term bank borrowings		466,409	(397,240)
Repayment of convertible bonds		(210,514)	—
Proceeds from issuance of new shares		157,137	—
Repayment for derivative financial instruments			
— interest rate swaps		(2,000)	(2,000)
(Increase)/decrease in pledged bank deposit		(2,311)	200
Dividends paid		(47,386)	(23,224)
Non-controlling interests' contribution to new subsidiaries		12,820	—
Net cash generated from/(used in) financing activities		374,155	(416,140)
Net (decrease)/increase in cash and cash equivalents		(88,637)	100,938
Cash and cash equivalents at beginning of year		270,438	171,066
Exchange gains/(losses) on cash and cash equivalents		2,625	(1,566)
Cash and cash equivalents at end of year		184,426	270,438
Analysis of cash and cash equivalents:			
Bank balances and cash		184,426	270,438

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"), Europe and South America and sells to Europe, North and South America, the PRC, Asian countries and the rest of the world.

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 company has its primary listing on The Stock Exchange of Hong Kong Limited and secondary listing on Singapore Exchange Limited.

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

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

(a) New and amended standards, and interpretation adopted by the Group

The following new standards and amendments to standards, and interpretation are mandatory for the first time for the financial year beginning 1st January 2010. The adoption of these new standard and amendments to standards does not have any significant impact to the results and financial position of the Group.

HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on 1st January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

The revised standard was applied to the acquisition of the controlling interest in HannStar-TPV Display (Wuhan) Corp. on 23rd December 2010. This acquisition has occurred in stages. The revised standard requires bargain purchase to be determined only at the acquisition date rather than at the previous stages. The determination of bargain purchase includes the previously held equity interest to be adjusted to fair value, with any gain or loss recorded in the income statement. See Note 41 for further details of the business combination that occurred in 2010.

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests 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. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1st January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

HKAS 36 (amendment), 'Impairment of assets', effective 1st January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

HK Interpretation 5, 'Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause', issued on 29th November 2010, immediately effective on that day. The interpretation states that a borrower shall classify the term loan as a current liability in its balance sheet under paragraph 69(d) of HKAS 1, if the borrower does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term.

'Improvements to HKFRSs 2009', mainly comprises a collection of amendments to HKFRSs, including the HKAS 17 (amendment) as described above. It is not expected to have a significant effect on the financial statements with adoption of these amendments.

(b) New and amended standards, and interpretations that are effective but not currently relevant to the Group

The following new and amended standards, and interpretations are mandatory for the first time for the financial year beginning 1st January 2010, but are not currently relevant to the Group:

HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 17	Distribution of Non-cash Asset of Owners
HK(IFRIC) — Int 18	Transfers of Assets from Customers

(c) New standards, amendments and interpretations have been issued but are not effective and have not been early adopted by the Group

The following new standards, amendments and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1st January 2011 or later periods, but the Group has not early adopted them:

HKFRS 9, 'Financial instruments', issued in November 2009 and December 2010. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New standards, amendments and interpretations have been issued but are not effective and have not been early adopted by the Group (Continued)

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group is yet to assess HKFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group will apply the standard from 1st January 2013.

HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1st January 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1st January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group has systems in place to capture the necessary information. No significant change in disclosure in the financial statements is expected. The Group will apply the standard from 1st January 2011.

'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1st February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. It is not expected to have a significant effect on the financial statements with adoption of this amendment. The Group will apply the amended standard from 1st January 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New standards, amendments and interpretations have been issued but are not effective and have not been early adopted by the Group (Continued)

HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1st July 2010. The interpretation clarifies 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 (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1st January 2011. It is not expected to have any impact on the Group or the parent entity's financial statements.

HKAS 12 (revised), 'Income Taxes', issued in December 2010. It supersedes HK(SIC) — Int 21'Income Taxes — Recovery of Revalued Non-Depreciable Assets', issued in 2004. HKAS 12 (revised) is mandatory for periods beginning on or after 1st January 2012. Earlier application, in whole or in part, is permitted.

The revised standard clarifies that deferred taxes on an investment property, carried under the fair value model in HKAS 40, will be measured presuming that an investment property is recovered entirely through sale. The presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. It is not expected to have a significant effect on the financial statements with adoption of this amendment. The Group will apply the amended standard from 1st January 2012.

Amendments to HKFRS 7 (revised), 'Financial Instruments: Disclosures', issued in October 2010. The amendment will be effective for annual periods beginning on or after 1st July 2011, with earlier application permitted. The amendments require additional disclosures for risk exposures arising from transferred financial assets and no disclosures are required for prior periods. No significant change in disclosure in the financial statements is expected. The Group will apply the amendment from 1st January 2012.

'Improvements to HKFRSs 2010', issued in May 2010. The amendments are primarily effective for annual periods beginning on or after 1st January 2011, with earlier application permitted. The amendment comprises a collection of amendments to HKFRSs. It is not expected to have a significant effect on the financial statements with adoption of these amendments. The Group will apply the amended standard from 1st January 2011.

'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) — Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1st January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. It is not expected to have a significant effect on the financial statements with adoption of these amendments. The Group will apply these amendments for the financial reporting period commencing on 1st January 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(c) Associates and joint ventures

Associates 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.

A joint venture is a contractual arrangement whereby the venturers undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entity is joint venture which involves the establishment of a separate entity.

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates and jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates and jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a jointly controlled entity equals or exceeds its interest in the associate or the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or the jointly controlled entity.

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

Dilution gains and losses arising in investments in associates and jointly controlled entities are recognised in the consolidated income statement.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in the associates and jointly controlled entities are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associates or jointly controlled entities operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate or jointly controlled entity is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1st January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

Previously, transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entities or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1st January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

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.

(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 recognised in the income statement.

All foreign exchange gains and losses are presented in the income statement within 'other gains — net.'

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised 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 other comprehensive income.

(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 recognised in other comprehensive income.

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 other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised 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.

2.5 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 recognised 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 derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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 the end of 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 recognised 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 comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date 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. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in other income.

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 is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives (not more than 15 years).

2.9 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation 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 recognised 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 an investment in a subsidiary is required upon receiving a dividends if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the subsidiary in the Company's balance sheet exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be within 12 months; otherwise, they are classified as non-current.

(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 way purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised 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 subsequently carried at amortised cost using the effective interest method.

Gains or 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 recognised in the income statement as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.2 Recognition and measurement (Continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

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

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated 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 consolidated income statement.

(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 separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate 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 separate consolidated income statement.

2.13 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised 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 recognised immediately in the income statement within "other gains — net".

2.14 Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes 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. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.17 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.

2.18 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

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

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 end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised 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's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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 recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the vesting period.

The Group's contributions to defined contribution schemes are recognised as employee benefit expense when they are due. Prepaid contributions are recognised 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 recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Profit-sharing and bonus plans

The Group recognises 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 recognises 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)

2.23 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 recognised 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 (for example, an entity's share price);
- 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.

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

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.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.24 Provisions

Provisions are recognised 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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Provisions (Continued)

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 recognised 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 recognised as interest expense.

2.25 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 recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised 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 recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Rental income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Government grants

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

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

2.27 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.

2.28 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the year that is required to complete and prepare the asset for its intended user sale. Other borrowing costs are expensed in the income statement.

2.29 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.

2.30 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 recognise 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 recognised in the income statement immediately.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company'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 minimise 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, recognised 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.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. Entities in the Group manage the amount of financial assets and liabilities denominated in foreign currencies together with the use of foreign exchange forward contracts to manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities.

As at 31st December 2010, if US dollars had weakened/strengthened by 1 percent against Renminbi with all other variables held constant, post-tax profit for the year would have been US$1,426,000 (2009: US$975,000) 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.

As at 31st December 2010, if US dollars had weakened/strengthened by 1 percent against Brazilian real with all other variables held constant, post-tax profit for the year would have been US$2,068,000 (2009: US$1,302,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars denominated trade payables.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group and 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 equity 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 judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the balance sheet date.

The Company does not have significant exposure to price risk.

(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 except for cash at bank which earned a low interest. The Group's exposures to changes in interest rates are mainly attributable to its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk, which arises from the convertible bonds issued at a fixed rate of 3.35 percent in 2005 and fully redeemed during the current year. Details of the Group's borrowings and convertible bonds have been disclosed in Note 29 and Note 36, respectively.

The Group also invests in interest rate swaps which expose the Group to cash flow and interest rate risk. Details of the Group's interest rate swaps have been disclosed in Note 34.

The Company's amounts due from subsidiaries were interest free and this exposes the Company to fair value interest rate risk.

As at 31st December 2010, 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$28,684 (2009: US$5,981) and US$1,991 (2009: Nil) lower/higher respectively, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31st December 2010 and 2009, for cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, they are all deposited or traded with 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 aggregated on a global basis for companies which belong to the same group at the balance sheet date.

Counterparty	**2010 US$'000**
Customer A	**299,459**
Customer B	**234,536**
Customer C	**224,810**
Customer D	**139,777**
Customer E	**139,113**
	1,037,695

Counterparty	2009 US$'000
Customer C	224,782
Customer B	158,437
Customer D	108,409
Customer F	98,934
Customer G	92,961
	683,523

(c) Liquidity risk

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

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed banking facilities (Note 29) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its banking facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and exchange control.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held cash and cash equivalents of US$184,426,000 (2009: US$270,438,000) (Note 26) and trade receivables of US$2,193,205,000 (2009: US$1,881,460,000) (Note 24) that are expected to readily generate cash inflows for managing liquidity risk. In addition, the Group holds listed equity securities for trading of US$2,562,000 (2009: US$2,920,000) (Note 25), which could be readily realised to provide a further source of cash if the need arose. The Group will also factor its trade receivables to banks without recourse should there be additional liquidity needs.

The table below analyses the Group's non-derivative 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. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. 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 2010				
Borrowings	**472,533**	**—**	**—**	**472,533**
Interest payments on borrowings	**448**	**—**	**—**	**448**
Derivative financial instruments	**63,837**	**—**	**—**	**63,837**
Trade payables	**2,235,310**	**—**	**—**	**2,235,310**
Other payables and accruals	**434,883**	**22,460**	**—**	**457,343**
Financial guarantee contracts	**3,000**	**—**	**—**	**3,000**
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
Financial guarantee contracts	3,000	—	—	3,000

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 2010				
Borrowings	**20,000**	**—**	**—**	**20,000**
Interest payments on borrowings	**22**	**—**	**—**	**22**
Other payables and accruals	**755**	**—**	**—**	**755**
Financial guarantee contracts	**2,935,428**	**—**	**—**	**2,935,428**
At 31st December 2009				
Borrowings	210,514	—	—	210,514
Interest payments on borrowings	7,052	—	—	7,052
Other payables and accruals	1,892	—	—	1,892
Financial guarantee contracts	1,499,013	—	—	1,499,013

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 2010				
Foreign exchange forward contracts				
— Inflow	**3,285,733**	**—**	**—**	**3,285,733**
— Outflow	**3,263,724**	**—**	**—**	**3,263,724**
At 31st December 2009				
Foreign exchange forward contracts				
— Inflow	2,846,169	—	—	2,846,169
— Outflow	2,853,000	—	—	2,853,000

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for the compliance of certain financial covenants for maintaining the Group's banking facilities and convertible bonds, the Group is not subject to any externally imposed capital requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. Management considers a gearing ratio of not more than 100 percent as reasonable.

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings	**472,533**	215,336	**20,000**	209,212
Less: Cash and cash equivalents	**(184,426)**	(270,438)	**(372)**	(1,190)
Net debt/(cash)	**288,107**	(55,102)	**19,628**	208,022
Total equity	**1,796,020**	1,507,622	**950,705**	803,725
Total capital	**2,084,127**	N/A	**970,333**	1,011,747
Gearing ratio	**13.8%**	N/A	**2.0%**	20.6%

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

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 31st December 2010:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets	2,079	—	76	2,155
Financial assets at fair value through profit or loss	2,562	—	—	2,562
Derivative financial instruments	—	65,103	—	65,103
	4,641	65,103	76	69,820
Liabilities				
Derivative financial instruments	—	63,837	—	63,837

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

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets	2,260	—	917	3,177
Financial assets at fair value through profit or loss	2,920	—	—	2,920
Derivative financial instruments	—	18,832	—	18,832
	5,180	18,832	917	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. These instruments are included in level 1.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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 including dividend growth model, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the year ended 31st December 2010:

	Available-for-sale financial assets US$'000
Opening balance	**917**
Impairment losses recognised in profit or loss	**(841)**
Closing balance	**76**

The following table presents the changes in level 3 instruments for the year ended 31st December 2009:

	Available-for-sale financial assets US$'000
Opening balance	1,410
Impairment losses recognised in profit or loss	(493)
Closing balance	917

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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 addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues 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 and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Warranty provision

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily ranging from twelve to thirty-six months. Significant judgement is required in determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and replacement costs incurred for the products sold in the last thirty-six months. Where the warranty expenses incurred are different from the original provision, such difference would impact the 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, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of estimates (Note 15).

(d) Pending litigations

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(e) Estimation of provision for impairment of receivables

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

(f) Net realisable value of inventories

Net realisable 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 the end of each reporting period.

(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 judgement in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the 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 end of each reporting period. 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(j) Royalty

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

(k) Estimated fair values of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, the management update their assessment of the fair value of each property, taking into account the most recent independent valuations.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker, Dr Hsuan, Jason, chairman and chief executive officer of the Company, that are used to make strategic decisions and resources allocation.

The Group's businesses are managed according to the nature of their operations and the products and services they provide.

The Group is organised 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, technical innovation subsidy received, other gains — net, finance income, finance costs and share of profits less losses of associates and jointly controlled entities are not included in the result for each operating segment that is reviewed by the Group's chief operating decision-maker.

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

Capital expenditure represented addition of property, plant and equipment and land use rights.

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, investments in associates, investments in jointly controlled entities, 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.

5 SEGMENT INFORMATION (Continued)

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 2010 are as follows:

	For the year ended 31st December 2010			
	Monitors US$'000	**TVs US$'000**	**Others US$'000**	**Total US$'000**
Revenue from external customers	**6,300,234**	**4,042,620**	**1,288,722**	**11,631,576**
Cost of goods sold	**(5,885,635)**	**(3,858,697)**	**(1,262,999)**	**(11,007,331)**
Other income excluding export incentives received, fiscal refund received and technical innovation subsidy received	**6,099**	**3,913**	**1,247**	**11,259**
Operating expenses	**(253,879)**	**(170,796)**	**(19,554)**	**(444,229)**
Adjusted operating profit	**166,819**	**17,040**	**7,416**	**191,275**
Depreciation of property, plant and equipment	**39,086**	**53,352**	**5,236**	**97,674**
Amortisation of land use rights	**—**	**—**	**492**	**492**
Amortisation of intangible assets	**—**	**—**	**3,747**	**3,747**
Capital expenditure	**70,072**	**129,482**	**13,840**	**213,394**

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 technical innovation subsidy 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
Amortisation of land use rights	—	—	295	295
Amortisation of intangible assets	—	—	1,921	1,921
Capital expenditure	55,696	62,702	—	118,398

5 SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31st December 2010 are as follows:

	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Segment assets	**2,425,543**	**2,004,633**	**354,477**	**4,784,653**
Segment liabilities	**(1,656,736)**	**(1,014,042)**	**(98,023)**	**(2,768,801)**

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)

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	
	2010	2009
	US$'000	US$'000
Adjusted operating profit for reportable segments	**191,275**	166,813
Export incentives received	**15,706**	11,087
Fiscal refund and technical innovation subsidy received	**3,655**	2,268
Operating profit	**210,636**	180,168
Finance income	**2,632**	4,428
Finance costs	**(16,740)**	(13,633)
Share of profits less losses of associates	**6,758**	3,483
Share of profits less losses of jointly controlled entities	**(1,614)**	—
Profit before income tax	**201,672**	174,446

5 SEGMENT INFORMATION (Continued)

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

	As at 31st December	
	2010	2009
	US$'000	US$'000
Segment assets	**4,784,653**	3,817,245
Investment properties	**28,246**	11,899
Investments in associates	**30,276**	18,006
Investments in jointly controlled entities	**11,020**	—
Available-for-sale financial assets	**2,155**	3,177
Deferred income tax assets	**10,949**	11,690
Financial assets at fair value through profit or loss	**2,562**	2,920
Current income tax recoverable	**5,431**	657
Derivative financial instruments	**65,103**	18,832
Pledged bank deposits	**2,311**	—
Cash and cash equivalents	**184,426**	270,438
Total assets	**5,127,132**	4,154,864

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

	At 31st December	
	2010	2009
	US$'000	US$'000
Segment liabilities	**2,768,801**	2,400,112
Current income tax liabilities	**16,415**	14,220
Derivative financial instruments	**63,837**	17,574
Deferred income tax liabilities	**9,526**	—
Borrowings	**472,533**	215,336
Total liabilities	**3,331,112**	2,647,242

5 SEGMENT INFORMATION (Continued)

The segment results by geography are as follows:

	At 31st December 2010 US$'000	2009 US$'000
Europe	**3,651,774**	2,298,266
North America	**2,184,219**	1,943,292
South America	**701,900**	476,324
Africa	**25,446**	20,571
Australia	**108,215**	81,984
The PRC	**3,589,024**	2,380,379
Rest of the world	**1,370,998**	831,156
	11,631,576	8,031,972

At 31st December 2010, the total of non-current assets other than financial instruments and deferred income tax assets located in the PRC is US$402,264,000 (2009: US$297,504,000), and the total of these non-current assets located in other countries is US$560,442,000 (2009: US$534,265,000).

For the year ended 31st December 2010, revenues of approximately US$1,151,816,000 (2009: US$710,268,000) are derived from a single external customer. These revenues are attributable to the sale of monitors and TVs. This customer is also the third largest debtors at the balance sheet date.

6 OTHER INCOME

	2010 US$'000	2009 US$'000
Other income		
Export incentives received (Note (a))	**15,706**	11,087
Fiscal refund received (Note (a))	**2,829**	2,268
Technical innovation subsidy (Note (a))	**826**	—
Rental income	**2,624**	1,326
Miscellaneous income	**8,635**	8,034
	30,620	22,715

Note:

(a) Export incentives, fiscal refund and technical innovation subsidy were received from the municipal governments.

7 OTHER GAINS — NET

	2010 US$'000	2009 US$'000
Realised and unrealised gains/(losses) on foreign exchange forward contracts — net	**35,961**	(13,334)
Net exchange gains	**23,079**	38,734
Realised and unrealised gains on interest rate swaps — net	**390**	14,429
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(358)**	664
Fair value gains on revaluation of investment properties	**3,063**	352
Loss on disposal of investment properties	**—**	(743)
Impairment losses on available-for-sale financial assets	**(857)**	(2,734)
Gain on disposal of a subsidiary	**206**	—
Gain from a bargain purchase of a subsidiary	**1,385**	—
	62,869	37,368

8 OPERATING PROFIT

Operating profit is stated after charging the followings:

	2010 US$'000	2009 US$'000
Cost of inventories	**10,499,887**	7,160,786
Employee benefit expense (including directors' emoluments) (Note 9)	**327,802**	244,472
Depreciation of property, plant and equipment	**97,674**	81,171
Amortisation of land use rights	**492**	295
Operating lease rental for land and buildings and machinery	**14,542**	8,572
Auditors' remuneration	**1,745**	1,151
Amortisation of intangible assets	**3,747**	1,921
Provision for warranty (Note 33)	**69,035**	56,110
Provision/(reversal) for bad and doubtful debts (Note 24)	**1,377**	(824)
(Gain)/loss on disposal of property, plant and equipment	**(826)**	2,206
Provision of inventories to net realisable value	**22,011**	23,067
Impairment losses on property, plant and equipment	**517**	—
Donations	**411**	489

9 EMPLOYEE BENEFIT EXPENSE

	2010 US$'000	2009 US$'000
Wages, salaries and welfare	324,219	240,764
Share options granted to directors and employees	804	1,575
Pension costs — defined contribution plans	2,352	1,604
Pension costs — defined benefit plan (Note 31)	427	529
	327,802	244,472

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2010 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	—	331	807	1,138
Mr Maarten Jan de Vries (Note (iv))	—	—	—	—
Mr Lu Ming	—	—	—	—
Mr Robert Theodoor Smits	—	—	—	—
Mr Liu Liehong	—	—	—	—
Ms Wu Qun	—	—	—	—
Mr Xu Haihe	—	—	—	—
Mr Du Heping	—	—	—	—
Mr Tam Man Chi	—	—	—	—
Mr Chen Yen-Sung	—	—	—	—
Mr Junichi Kodama (Note (v))	—	—	—	—
Mr Chan Boon Teong	44	—	—	44
Dr Ku Chia-Tai	33	—	—	33
Mr Wong Chi Keung	33	—	—	33

9 EMPLOYEE BENEFIT EXPENSE (Continued)

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

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 (ii))	—	—	—	—
Mr Liu Liehong (Note (iii))	—	—	—	—
Ms Wu Qun (Note (iii))	—	—	—	—
Mr Xu Haihe (Note (iii))	—	—	—	—
Mr Du Heping (Note (iii))	—	—	—	—
Mr Tam Man Chi (Note (iii))	—	—	—	—
Mr Chen Yen-Sung (Note (iii))	—	—	—	—
Mr Chan Boon Teong	41	—	—	41
Dr Ku Chia-Tai	31	—	—	31
Mr Wong Chi Keung	31	—	—	31

Notes:

(i) Resigned on 13th October 2009

(ii) Resigned on 31st March 2009

(iii) Appointed on 13th October 2009

(iv) Resigned on 9th April 2010

(v) Appointed on 7th June 2010

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 (2009: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2009: four) individuals during the year are as follows:

	2010 US$'000	2009 US$'000
Basic salaries, housing allowances and other benefits in kind	1,388	1,433
Discretionary bonuses	839	529
	2,227	1,962

The emoluments fell within the following bands:

	Number of individuals 2010	2009
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)	2	1
HK$4,500,001 to HK$5,000,000 (equivalent to US$576,923 to US$641,022)	1	–
HK$5,000,001 to HK$5,500,000 (equivalent to US$641,023 to US$705,128)	1	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

	2010 US$'000	2009 US$'000
Interest expense on bank borrowings wholly repayable within five years	**8,288**	3,404
Interest expense on convertible bonds wholly repayable within five years (Note 36)	**8,452**	10,229
	16,740	13,633
Interest income on short-term bank deposits	**(2,632)**	(4,428)
Finance costs — net	**14,108**	9,205

No borrowing costs were capitalised during the years ended 31st December 2010 and 2009.

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 (2009: Nil).

Taxation on 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:

	2010 US$'000	2009 US$'000
Current income tax		
— current year	**32,393**	28,424
— under/(over)-provision in prior years	**74**	(477)
Deferred income tax expense (Note 30)	**10,267**	4,022
Income tax expense	**42,734**	31,969

11 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate of 15% (2009: 15%) applicable to profits of the majority of the consolidated entities as follows:

	2010 US$'000	2009 US$'000
Profit before tax	201,672	174,446
Calculated at a taxation rate of 15% (2009: 15%)	30,251	26,167
Different taxation rates in other countries	3,299	9,631
Change of taxation rate	179	(1,336)
Income not subject to tax	(5,516)	(2,951)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	(552)	(2,567)
Expenses not deductible for tax purposes	8,223	17,154
Losses for which no deferred income tax asset was recognised	3,047	7,528
Utilisation of previously unrecognised tax loss	(2,599)	(21,180)
Under/(over)-provision in prior years	74	(477)
Withholding tax on unremitted earnings	6,328	—
Income tax expense	42,734	31,969

There were no taxation charged to equity for the year (2009: Nil) as there were no material tax effect for other comprehensive income.

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$36,425,000 (2009: US$38,258,000).

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.

	2010	2009
Profit attributable to equity holders of the Company (US$'000)	169,349	141,214
Weighted average number of ordinary shares in issue (thousands)	2,297,634	2,111,253
Basic earnings per share (US cents per share)	7.37	6.69

13 EARNINGS PER SHARE (Continued)

(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.

	2010	2009
Profit attributable to equity holders of the Company (US$'000)	**169,349**	141,214
Interest expense on convertible bonds (US$'000)	**8,452**	10,229
Profit used to determine diluted earnings per share (US$'000)	**177,801**	151,443
Weighted average number of ordinary shares in issue (thousands)	**2,297,634**	2,111,253
Adjustments for		
— assumed conversion of convertible bonds (thousands)	**214,582**	313,289
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,512,216**	2,424,542
Diluted earnings per share (US cents per share)	**7.08**	6.25

14 DIVIDENDS

	2010 US$'000	2009 US$'000
Interim, paid, of US0.76 cent (2009: US0.60 cent) per ordinary share	**17,828**	12,668
Final, proposed, of US1.40 cents (2009: US1.26 cents) per ordinary share	**32,842**	29,558
	50,670	42,226

The directors proposed on 23rd March 2011 a final dividend of US1.40 cents per share (2009: US1.26 cents) payable in cash to equity holders. The amount of 2010 proposed final dividend is based on 2,345,836,139 shares in issue as at 23rd March 2011 (2009: 2,345,836,139 shares as at 31st March 2010). 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 2011.

15 INTANGIBLE ASSETS

	Goodwill US$'000	Group Trademarks and patents US$'000	Total US$'000
At 1st January 2009			
Cost	389,098	800	389,898
Accumulated amortisation	—	(532)	(532)
Net book amount	389,098	268	389,366
Year ended 31st December 2009			
Opening net book amount	389,098	268	389,366
Additions attributable to a business combination	—	20,600	20,600
Amortisation 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 amortisation	—	(2,453)	(2,453)
Net book amount	389,098	18,947	408,045
Year ended 31st December 2010			
Opening net book amount	**389,098**	**18,947**	**408,045**
Additions	**—**	**2,500**	**2,500**
Amortisation charge (Note)	**—**	**(3,747)**	**(3,747)**
Closing net book amount	**389,098**	**17,700**	**406,798**
At 31st December 2010			
Cost	**389,098**	**23,900**	**412,998**
Accumulated amortisation	**—**	**(6,200)**	**(6,200)**
Net book amount	**389,098**	**17,700**	**406,798**

15 INTANGIBLE ASSETS (Continued)

	Company Trademarks US$'000
At 1st January 2009	
Cost	800
Accumulated amortisation	(532)
Net book amount	268
Year ended 31st December 2009	
Opening net book amount	268
Amortisation charge (Note)	(53)
Closing net book amount	215
At 31st December 2009	
Cost	800
Accumulated amortisation	(585)
Net book amount	215
Year ended 31st December 2010	
Opening net book amount	**215**
Amortisation charge (Note)	**(55)**
Closing net book amount	**160**
At 31st December 2010	
Cost	**800**
Accumulated amortisation	**(640)**
Net book amount	**160**

Note:

Amortisation 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.

	2010 US$'000	2009 US$'000
Monitors	**324,274**	324,274
TVs	**64,824**	64,824
	389,098	389,098

The recoverable amount of cash generating units ("CGU") is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated for the first ten-year period and for the period after the tenth year using different estimated growth rates stated below. These growth rates do 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	TV
Gross margin	6.6%	5.5%
Average growth rate for the first ten-year projection period	4.0%	18.0%
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 of 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 operating segments.

The directors are of the opinion that there was no impairment of goodwill as at 31st December 2010 and 2009.

16 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
At 1st January 2009										
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
Year ended 31st December 2010										
Opening net book amount	13,402	163,764	15,988	58,110	49,328	43,884	1,910	14,329	6,130	366,845
Exchange differences	920	1,018	369	587	39	209	42	(44)	341	3,481
Additions	–	1,184	7,248	26,710	68,832	28,184	1,048	9,266	63,595	206,067
Additions through business combinations	–	3,092	–	556	–	189	46	667	15	4,565
Transfer	3,971	(6,809)	16,011	(6,235)	–	1,175	–	868	(18,897)	(9,916)
Disposals	–	(3)	(65)	(1,743)	(4,799)	–	(13)	–	–	(6,623)
Disposal of subsidiary	–	–	(1,949)	(3,243)	–	(9)	(73)	(149)	(1,847)	(7,270)
Depreciation	–	(8,257)	(3,792)	(6,699)	(56,150)	(17,138)	(535)	(5,103)	–	(97,674)
Impairment losses	–	(517)	–	–	–	–	–	–	–	(517)
Closing net book amount	18,293	153,472	33,810	68,043	57,250	56,494	2,425	19,834	49,337	458,958
At 31st December 2010										
Cost	18,293	194,667	44,389	121,789	270,510	152,967	4,976	42,863	49,337	899,791
Accumulated depreciation	–	(38,647)	(10,579)	(53,579)	(213,228)	(96,473)	(2,551)	(22,445)	–	(437,502)
Accumulated impairment losses	–	(2,548)	–	(167)	(32)	–	–	(584)	–	(3,331)
Net book amount	18,293	153,472	33,810	68,043	57,250	56,494	2,425	19,834	49,337	458,958

Depreciation expense of US$92,276,000 (2009: US$77,197,000) has been charged in 'cost of goods sold', US$694,000 (2009: US$386,000) in 'selling and distribution expenses', US$2,334,000 (2009: US$1,427,000) in 'administrative expenses' and US$2,370,000 (2009: US$2,161,000) in 'research and development expenses'.

17 LAND USE RIGHTS

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

	Group	
	2010	2009
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**1,336**	1,383
Leases of between 10 and 50 years	**26,072**	22,414
	27,408	23,797

	2010	2009
	US$'000	US$'000
Opening balance at 1st January	**23,797**	16,000
Exchange differences	**144**	173
Additions	**7,327**	3,760
Transfer (out)/in	**(3,368)**	4,159
Amortisation of prepaid operating lease payments	**(492)**	(295)
Closing balance at 31st December	**27,408**	23,797

18 INVESTMENT PROPERTIES

	Group	
	2010	2009
	US$'000	US$'000
Opening balance at 1st January	**11,899**	15,912
Transfer out	**(351)**	—
Transfer in	**13,635**	—
Net gain from fair value adjustment	**3,063**	352
Disposal	**—**	(4,365)
Closing balance at 31st December	**28,246**	11,899

The investment properties are in the PRC on land held on leases of between 10 and 50 years and in Poland on freehold land.

18 INVESTMENT PROPERTIES (Continued)

The Group's investment properties comprise:

	Group	
	2010	2009
	US$'000	US$'000
Freehold land	3,059	—
Leasehold land	25,187	11,899
	28,246	11,899

The Group leases out some of the investment properties under operating leases, for a period of one to nine years.

The investment properties were revalued as at 31st December 2010 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 AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2010	2009
	US$'000	US$'000
Unlisted shares, at cost	59,066	59,066
Amounts due from subsidiaries	911,862	954,358
	970,928	1,013,424
Less: Non-current portion (Note)	(798,514)	(797,710)
Current portion	172,414	215,714

Note:

As at 31st December 2010 and 2009, the non-current amounts due from subsidiaries are unsecured, interest free and repayable on demand. However, the Company does not expect to recall these amounts within the next twelve months.

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

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 and for the year ended 31st December 2010 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 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%

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM 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)				
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	100%
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	Paid-in capital of RMB320,000,000	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%

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM 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)				
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[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB6,150,060	100%
MMD (Shanghai) Electronics Technology Co., Ltd[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB3,413,500	100%
TPV-INVENTA Holding Limited	Hong Kong	Sales and distribution of all-in-one PC products	20,000,000 ordinary shares of US$1 each	51%
TPV-INVENTA (Fujian) Electronics Technology Co., Ltd[1] (Note (b))	The PRC, limited liability company	Production and sales of all-in-one PC products	Paid-in capital of US$15,000,000	51%
TPV Technology (Qingdao) Co., Ltd[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors, flat TVs and LCM modules	Paid-in capital of US$15,000,000	80%
TPV Display Technology (Xiamen) Co., Ltd[1] (Note (b))	The PRC, limited liability company	Production and sales of flat TVs and LCM modules	Paid-in capital of US$25,000,000	100%
TPV Display Technology (China) Co., Ltd[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors, flat TVs and all-in-one PC products	Paid-in capital of US$6,000,000	100%
Top Victory Electronics de Mexico, S.A. de C.V.	Mexico	Trading of computer monitors and flat TVs	Paid-in capital of US$150,055	100%
AOC Australia Pty Ltd	Australia	Trading of computer monitors and flat TVs	Paid-in capital of AUD$100	100%
Trend Smart CE México, S. de R.L. de C.V	Mexico	Provision of consultancy and intermediary services	Paid-in capital of US$11,766,078	100%
Trend Smart America Ltd	USA	Trading of flat TVs	Paid-in capital of US$200,000	100%
TPV CIS Ltd	Russia	Production and sales of flat TVs	Paid-in capital of US$4,229,857	100%

19 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and kind of legal entity (Note (a))	Principal activities	Particulars of issued share capital/registered capital	Interest held
Shares/investments indirectly held by the Company: (Continued)				
TPV do Brazil Industria de Componentes Eletronicos Ltda.	Brazil	Production and sales of computer monitors and flat TVs components	Paid-in capital of Brazilian real $6,650,000	99.81%
Brivictory Brasil Indústria de Eletrônicos Ltda.	Brazil	Production and sales of LCM modules	Paid-in capital of Brazilian real $11,185,483	99.81%
HannStar-TPV Display (Wuhan) Corp[1] (Note (b))	The PRC, limited liability company	Production and sales of LCM modules	Paid-in capital of US$15,000,000	100%
MEXHK Servicios, S.A. de C.V.	Mexico	Provision of consultancy and intermediary services	Paid-in capital of MXN$50,000	100%
MMD-Monitors & Displays Taiwan Ltd	Taiwan	Sales and distribution of computer monitors and flat TVs	Paid-in capital of NT$500,000	100%
MMD-Monitors & Displays Czech Republic s.r.o	Czech Republic	Sales and distribution of computer monitors and flat TVs	Paid-in capital of CZK$11,701,000	100%
MMD Singapore Pte. Ltd.	Singapore	Sales and distribution of computer monitors and flat TVs	Paid-in capital of US$20,000	100%
MMD Hong Kong Holding Limited	Hong Kong	Investment holding	Paid-in capital of HK$1	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 INVESTMENTS IN ASSOCIATES

	Group 2010 US$'000	Group 2009 US$'000
At 1st January	**18,006**	14,523
Additions	**14,810**	—
Business combination — transfer to subsidiaries	**(1,196)**	—
Dividend	**(8,102)**	—
Share of profit	**6,758**	3,483
At 31st December	**30,276**	18,006

The Group's share of the results of its associates, all of which are unlisted, and the 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
2010							
Envision Peripherals, Inc.	3,520,700 ordinary shares with no par value	USA	22,396	(21,048)	100,567	204	24%
L&T Display Technology (Fujian) Limited[1]	Paid-in capital of US$17,000,000	The PRC	77,695	(68,443)	67,022	922	49%
L&T Display Technology (Xiamen) Limited[1]	Paid-in capital of US$12,000,000	The PRC	129,886	(119,699)	267,500	4,307	49%
CPT TPV Optical (Fujian) Co., Ltd.[1] (Note (b))	Paid-in capital of US$22,500,000	The PRC	19,519	(10,030)	8,758	3,330	20%
HannStar Display (Wuhan) Corp.[1] (Note (b) & (c))	Paid-in capital of US$15,000,000	The PRC	N/A	N/A	1,511	(2,005)	N/A
			249,496	(219,220)	445,358	6,758	

20 INVESTMENTS IN ASSOCIATES (Continued)

Name	Particulars of issued shares held	Place of incorporation/ establishment (Note (a))	Attributable to the Group				% Interest held indirectly
			Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit US$'000	
2009							
Envision Peripherals, Inc.	2,000,000 ordinary shares with no par value	USA	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	

1 English translation is for identification purpose only.

Notes:

(a) These associates principally operate in their places of incorporation/establishment.

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

(c) This associate has become a wholly-owned subsidiary in December 2010 as the Group has further acquired 80% interest in this associate.

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group 2010 US$'000
At 1st January	—
Additions	12,634
Share of loss	(1,614)
At 31st December	11,020

The Group's share of the results of its jointly controlled entities, all of which is 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				% Interest held indirectly
			Assets US$'000	Liabilities US$'000	Revenues US$'000	Loss US$'000	
2010							
Three Titans Technology (Xiamen) Co., Ltd[1] (Note (b))	Paid-in capital of US$10,000,000	The PRC	16,661	(12,327)	6,960	(460)	50%
BriVictory Display Technology (Labuan) Corp. and its wholly-owned subsidiary, BriVictory Display Technology (Poland) Sp.z o.o	15,999,998 ordinary shares with US$1 each	Malaysia and Poland	11,920	(5,234)	9,952	(1,154)	49%
			28,581	(17,561)	16,912	(1,614)	

[1] English translation is for identification purpose only.

(a) The jointly controlled entities principally operate in its place of incorporation.

(b) The jointly controlled entity is established as foreign-owned enterprises in the PRC.

There are no contingent liabilities relating to the group's interest in the jointly controlled entity, and there are no contingent liabilities of the venture itself.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
	US$'000	US$'000
At 1st January	**3,177**	3,031
Exchange differences	**—**	2
Disposals	**—**	(532)
Net (losses)/gains transferred to equity (Note 28)	**(165)**	3,410
Impairment losses charged to the income statement	**(857)**	(2,734)
At 31st December	**2,155**	3,177

Available-for-sale financial assets include the following:

	Group	
	2010	2009
	US$'000	US$'000
Listed securities:		
— Equity securities — Taiwan	**2,079**	2,260
Unlisted securities		
— Equity securities — Taiwan and the PRC	**76**	917
	2,155	3,177
Market value of listed securities	**2,079**	2,260

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

	Group	
	2010	2009
	US$'000	US$'000
US dollars	**17**	500
New Taiwan dollars	**2,138**	2,677
	2,155	3,177

23 INVENTORIES

	Group	
	2010	2009
	US$'000	US$'000
Raw materials	**583,978**	384,518
Work-in-progress	**51,803**	23,529
Finished goods	**666,731**	446,282
Production supplies	**2,491**	1,884
	1,305,003	856,213

The cost of inventories recognised as expense and included in 'cost of goods sold' amounted to US$10,521,898,000 (2009: US$7,183,853,000).

24 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2010	2009
	US$'000	US$'000
Trade receivables	**2,194,990**	1,884,606
Less: Provision for impairment of trade receivables	**(1,785)**	(3,146)
Trade receivables, net	**2,193,205**	1,881,460
Deposits	**3,881**	3,186
Prepayments	**41,703**	27,315
Other receivables	**347,697**	250,384
	2,586,486	2,162,345

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

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

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

As at 31st December 2010 and 2009, the ageing analysis of the trade receivables based on invoice date were as follows:

	Group	
	2010	2009
	US$'000	US$'000
0–30 days	**711,023**	917,450
31–60 days	**952,291**	658,962
61–90 days	**368,636**	265,446
91–120 days	**128,775**	32,942
Over 120 days	**34,265**	9,806
	2,194,990	1,884,606

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

As at 31st December 2010, trade receivables of US$152,043,000 (2009: US$79,420,000) 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:

	2010	2009
	US$'000	US$'000
1–90 days	**143,851**	74,270
91–120 days	**1,164**	2,415
Over 120 days	**7,028**	2,735
	152,043	79,420

As at 31st December 2010, trade receivables of US$1,785,000 (2009: US$3,146,000) were impaired. The amount of the provision was US$1,785,000 as at 31st December 2010 (2009: US$3,146,000). The individually impaired receivables mainly relate to a number of small customers, which are in unexpectedly difficult economic situations. The ageing of these past due receivables is as follows:

	2010	2009
	US$'000	US$'000
1–120 days	**—**	2,506
Over 120 days	**1,785**	640
	1,785	3,146

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

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

	Group	
	2010	2009
	US$'000	US$'000
US dollars	**1,574,948**	1,378,946
Renminbi	**506,742**	366,796
Brazilian real	**199,482**	180,948
Mexican peso	**13,378**	14,463
Euros	**160,476**	60,347
Indian rupees	**15,748**	13,326
Polish zloty	**76,209**	128,952
New Taiwan Dollars	**12,069**	9,893
Other currencies	**27,434**	8,674
	2,586,486	2,162,345

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

	2010	2009
	US$'000	US$'000
At 1st January	**3,146**	3,970
Provision/(reversal) for impairment of receivables (Note 8)	**1,377**	(824)
Receivables written off during the year as uncollectible	**(2,738)**	—
At 31st December	**1,785**	3,146

The creation and release 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 carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	US$'000	US$'000
Listed securities, at market value:		
— Equity securities—Singapore	**234**	583
— Equity securities—Taiwan (Note)	**2,328**	2,337
	2,562	2,920

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 'operating activities' as part of the changes in working capital in the consolidated statement of cash flows (Note 37).

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.

26 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**175,760**	270,438	**372**	1,190
Short-term bank deposits	**8,666**	—	**—**	—
	184,426	270,438	**372**	1,190
Pledged bank deposit (Note 35)	**2,311**	—	**—**	—
	186,737	270,438	**372**	1,190
Maximum exposure to credit risk	**185,988**	270,271	**372**	1,190

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

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
US dollars	**114,123**	127,868	**207**	105
Renminbi	**43,191**	95,083	**—**	—
Brazilian real	**8,769**	2,833	**—**	—
Euros	**8,878**	15,082	**—**	—
Other currencies	**11,776**	29,572	**165**	1,085
	186,737	270,438	**372**	1,190

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

27 SHARE CAPITAL

	2010 US$'000	2009 US$'000
Authorised:		
4,000,000,000 (2009: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,836,139 (2009: 2,111,252,525) ordinary shares of US$0.01 each	**23,458**	21,112

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

	2010 Number of issued ordinary shares of US$0.01 each	2010 Par value US$'000	2009 Number of issued ordinary shares of US$0.01 each	2009 Par value US$'000
At 1st January	**2,111,252,525**	**21,112**	2,111,252,525	21,112
Issue of new shares (Note)	**234,583,614**	**2,346**	—	—
At 31st December	**2,345,836,139**	**23,458**	2,111,252,525	21,112

Note:

The Company issued 234,583,614 shares of HK$5.20 each for a total consideration of US$157,137,000 on 16th March 2010 to Mitsui.

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 2010	Exercised during the year	Lapsed during the year	At 31st December 2010
12th December 2007	HK$5.75	(i)	21,358,026	—	(690,000)	20,668,026

Notes:

(i) These options are exercisable at HK$5.75 (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%, 50% and 100%, respectively.

(ii) During the year, 690,000 (2009: 63,241,800) share options were lapsed as a result of the cessation of employment of certain employees.

28 RESERVES

	Group												
	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Convertible bonds (Note (d)) US$'000	Other reserves US$'000	Retained profits US$'000	Total US$'000
Balance at 1st January 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, net of tax	–	–	–	–	–	–	–	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
Balance at 1st January 2010	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
Net fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	–	–	–	(165)	–	–	–	–	(165)
Exchange differences	–	–	–	–	6,250	–	–	–	–	–	–	–	6,250
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	169,349	169,349
Waiver of entitlement by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	1,919	1,919
Transfer from retained profits	–	–	–	–	–	11,998	–	–	–	–	–	(11,998)	–
Employee share option scheme:													
– Employee share-based compensation benefits	–	–	–	804	–	–	–	–	–	–	–	–	804
Dividends paid:													
– 2009 final	–	–	–	–	–	–	–	–	–	–	–	(29,558)	(29,558)
– 2010 interim	–	–	–	–	–	–	–	–	–	–	–	(17,828)	(17,828)
Issue of new shares	154,791	–	–	–	–	–	–	–	–	–	–	–	154,791
Balance at 31st December 2010	759,555	68,202	12	10,892	16,697	64,933	10,001	35	5,308	58,271	(9,423)	785,550	1,770,033
Represented by:													
Other reserves													1,737,191
Proposed final dividend													32,842
													1,770,033

28 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 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
Balance at 1st January 2010	604,764	12	10,088	11,433	58,271	98,045	782,613
Profit for the year	—	—	—	—	—	36,425	36,425
Employee share option scheme:							
— Employee share-based compensation benefits	—	—	804	—	—	—	804
Dividends paid:							
— 2009 final	—	—	—	—	—	(29,558)	(29,558)
— 2010 interim	—	—	—	—	—	(17,828)	(17,828)
Issue of new shares	154,791	—	—	—	—	—	154,791
Balance at 31st December 2010	759,555	12	10,892	11,433	58,271	87,084	927,247
Represented by:							
Other reserves							894,405
Proposed final dividend							32,842
							927,247

28 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 realisable 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 36.

29 BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Bank borrowings	**—**	6,124	**—**	—
Current				
Bank borrowings	**472,533**	—	**20,000**	—
Convertible bonds (Note 36)	**—**	209,212	**—**	209,212
	472,533	209,212	**20,000**	209,212
Total borrowings	**472,533**	215,336	**20,000**	209,212

29 BORROWINGS (Continued)

As at 31st December 2010, the Group's borrowings were repayable as follows:

	Group				Company			
	Bank borrowings		Convertible bonds		Bank borrowings		Convertible bonds	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**472,533**	—	**—**	209,212	**20,000**	—	**—**	209,212
Between one and two years	**—**	6,124	**—**	—	**—**	—	**—**	—
Between two and five years	**—**	—	**—**	—	**—**	—	**—**	—
Wholly repayable within five years	**472,533**	6,124	**—**	209,212	**20,000**	—	**—**	209,212

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

	2010	2009
Bank borrowings	**0.79%–3.51%**	2.26%–3.51%
Convertible bonds (Note 36)	**—**	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 Group's borrowings are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**467,238**	215,336	**20,000**	209,212
Renminbi	**5,295**	—	**—**	—
Total borrowings	**472,533**	215,336	**20,000**	209,212

As at 31st December 2010, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2010	2009
	US$'000	US$'000
Total available and undrawn facilities	**2,399,549**	2,732,280

30 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	
	2010	2009
	US$'000	US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**1,258**	2,242
— Deferred income tax assets to be recovered within 12 months	**9,691**	9,448
	10,949	11,690
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	**(1,136)**	—
— Deferred income tax liabilities to be settled within 12 months	**(8,390)**	—
	(9,526)	—
Deferred income tax assets (net)	**1,423**	11,690

No deferred income tax was charged or credited to equity during the year (2009: Nil).

The gross movement on the deferred income tax account is as follows:

	2010	2009
	US$'000	US$'000
At 1st January	**11,690**	15,712
Income statement charge	**(10,267)**	(4,022)
At 31st December	**1,423**	11,690

30 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets during the year are as follows:

	Provisions		Pension obligation		Unrealised profits on inventories		Tax losses		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**11,531**	12,332	**1,265**	1,147	**524**	924	**—**	1,948	**13,320**	16,351
Credited/(charged) to the income statement	**1,625**	(801)	**57**	118	**(524)**	(400)	**2,022**	(1,948)	**3,180**	(3,031)
At 31st December	**13,156**	11,531	**1,322**	1,265	**—**	524	**2,022**	—	**16,500**	13,320

The movements in deferred income tax liabilities during the year are as follows:

	Unrealised losses on inventories		Unrealised gains on derivative financial instruments		Fair value gains on revaluation of investment properties		Withholding tax on distributable profits		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**—**	—	**(649)**	(6)	**(981)**	(631)	**—**	—	**(1,630)**	(637)
Credited/(charged) to the income statement	**(309)**	—	**(6,591)**	(643)	**(219)**	(350)	**(6,328)**	—	**(13,447)**	(993)
At 31st December	**(309)**	—	**(7,240)**	(649)	**(1,200)**	(981)	**(6,328)**	—	**(15,077)**	(1,630)

Deferred income tax assets are recognised for temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of losses amounting to US$115,685,000 (2009: US$113,829,000) that can be carried forward against future taxable income. Losses amounting to US$16,823,000 (2009: US$16,968,000) expire from 2014 to 2020.

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently invested. Unremitted earnings totaled US$256,145,000 at 31st December 2010 (2009: US$251,775,000).

31 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 2010 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

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

	Group	
	2010	2009
	US$'000	US$'000
Present value of funded obligations	**9,744**	6,963
Fair value of plan assets	**(1,072)**	(905)
	8,672	6,058
Unrecognised actuarial losses	**(2,836)**	(997)
Liability in the balance sheet	**5,836**	5,061

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

	2010	2009
	US$'000	US$'000
Current service cost	**261**	331
Interest cost	**159**	182
Expected return on plan assets	**(21)**	(15)
Net actuarial losses recognised during the year	**28**	31
Total expense, within employee benefit expense (Note 9)	**427**	529

The actual loss on plan assets was US$5,000 (2009: US$6,000).

31 PENSION OBLIGATIONS (Continued)

Movements in the pension obligations are as follows:

	Group 2010 US$'000	Group 2009 US$'000
At 1st January	**6,963**	6,662
Current service cost	**261**	331
Interest cost	**159**	182
Benefit paid	**(147)**	(353)
Actuarial losses	**1,618**	141
Exchange differences	**890**	—
At 31st December	**9,744**	6,963

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

	Group 2010 US$'000	Group 2009 US$'000
At 1st January	**905**	1,029
Expected return on plan assets	**21**	15
Contributions	**199**	182
Benefit paid	**(147)**	(353)
Actuarial (losses)/gains	**(5)**	32
Exchange differences	**99**	—
At 31st December	**1,072**	905

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate	**1.75%**	2.25%
Expected rate of return on plan assets	**1.75%**	2.25%
Expected rate of future salary increment	**3.50%**	3.00%

32 TRADE PAYABLES

At 31st December 2010, the ageing analysis of trade payables based on invoice date were as follows:

	Group 2010 US$'000	Group 2009 US$'000
0–30 days	**885,979**	864,112
31–60 days	**835,998**	609,572
61–90 days	**254,710**	237,108
Over 90 days	**258,623**	220,929
	2,235,310	1,931,721

The carrying amounts of trade payables approximate their fair values.

The carrying amounts of trade payables are denominated in the following currencies:

	Group 2010 US$'000	Group 2009 US$'000
US dollars	**2,019,290**	1,676,976
Renminbi	**176,750**	193,616
Euros	**13,936**	10,629
Other currencies	**25,334**	50,500
	2,235,310	1,931,721

33 WARRANTY PROVISIONS

	Group 2010 US$'000	Group 2009 US$'000
At 1st January	**67,272**	56,945
Charged to the income statement (Note 8)	**69,035**	56,110
Utilised during the year	**(65,995)**	(45,783)
At 31st December	**70,312**	67,272

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 2010 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 utilised in the next financial year, and all will be utilised within three years of the balance sheet date.

34 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Foreign exchange forward contracts	**64,360**	**(52,471)**	18,431	(1,128)
Interest rate swaps	**743**	**(11,366)**	401	(16,446)
	65,103	**(63,837)**	18,832	(17,574)

(a) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31st December 2010 was US$333,300,000 (2009: US$334,400,000).

(b) Foreign exchange forward contracts

The total notional principal amounts of the outstanding foreign exchange forward contracts as at 31st December 2010 are as follows:

	Group	
	2010	2009
	US$'000	US$'000
Sell Renminbi for US dollars	**3,678,641**	2,853,000
Sell US dollars for Renminbi	**3,266,000**	2,858,000
Sell Japanese Yen for US dollars	**56,900**	5,800
Sell Euros for US dollars	**208,254**	73,719
Sell Brazilian Real for US dollars	**49,800**	42,500
Sell Indian Rupee for US dollars	**11,000**	10,000
Sell British Pounds for US dollars	**7,077**	—
Sell US dollars for Russian Ruble	**765**	—
Sell US dollars for New Taiwan Dollars	**17,000**	—
Sell HK dollars for US dollars	**—**	3,000
Sell Mexican Peso for US dollars	**—**	1,400

35 PLEDGE OF ASSETS

As at 31st December 2010, Group's bank deposit of US$2,311,000 was pledged as security for banking facilities of the Group (2009: Nil).

36 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 convertible bonds matured on the fifth anniversary of the issue date in accordance with the terms and conditions thereof. On 7th September 2010, the Company redeemed an aggregate principal amount of US$210,514,000, being all the outstanding principal amount of the convertible bonds. Upon the redemption, the convertible bonds had been forthwith cancelled.

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 was included in shareholders' equity as at 31st December 2009 (Note 28).

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

	Group and Company	
	2010	2009
	US$'000	US$'000
Equity component (Note (a))	**—**	58,271
Liability component		
At 1st January	**209,212**	206,015
Interest expense (Note 10)	**8,452**	10,229
Interest paid	**(7,150)**	(7,032)
Repayment	**(210,514)**	—
At 31st December (Note 29)	**—**	209,212

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

Note:

(a) The equity component of the convertible bonds remained in equity of the Group and that of the Company on redemption.

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2010 US$'000	2009 US$'000
Operating profit	210,636	180,168
Depreciation	97,674	81,171
Amortisation of land use rights	492	295
Amortisation of intangible assets	3,747	1,921
Gain on disposal of a subsidiary	(206)	—
Gain from a bargain purchase of a subsidiary	(1,385)	—
(Gain)/loss on disposal of property, plant and equipment	(826)	2,206
Loss on disposal of investment properties	—	743
Share options granted to directors and employees	804	1,575
Unrealised losses on derivative financial instruments	1,992	14,742
Fair value gains on revaluation of investment properties	(3,063)	(352)
Fair value losses/(gains) on financial assets at fair value through profit or loss	358	(664)
Impairment losses on available-for-sale financial assets	857	2,734
Impairment losses on property, plant and equipment	517	—
Operating profit before working capital changes	311,597	284,539
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— trade receivables	(312,073)	(515,024)
— deposits, prepayments and other receivables	(111,507)	(51,121)
— inventories	(451,419)	(174,615)
— trade payables	306,787	1,002,098
— warranty provisions, other payables and accruals and pension obligations	67,657	116,053
Net cash (used in)/generated from operations	(188,958)	661,930

38 CORPORATE GUARANTEES

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Guarantees in respect of banking facilities granted to:				
— subsidiaries	—	—	2,935,428	1,499,013
— an associate	3,000	3,000	—	—
	3,000	3,000	2,935,428	1,499,013

39 CONTINGENT LIABILITIES

The Group has a number of legal and other proceedings at 31st December 2010. The directors are of the opinion that even if the outcome of the following litigations and complaints turn out to be unfavourable, the directors consider that their future settlement, in aggregate, may not have any material financial impact on the Group as a whole.

(a) In January 2007, a third party company filed a complaint in the United States of America against the Group, one of its associates 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 I").

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

(i) They have directly infringed, contributed to and/or actively induced infringement of the Patent I 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 I; 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 and that an appropriate amount of provision has been made, if any.

(b) 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 associates and other third party companies. The claims of the complaint related to alleged infringement of Patent I.

As far as the Group and its associate 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 I; 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 I; 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.

On 23rd November 2010, the proceedings before the U.S. International Trade Commission are terminated based on a withdrawal of the complaint by the complainant. The directors consider that the termination does not have any material financial impact on the Group as a whole.

39 CONTINGENT LIABILITIES (Continued)

(c) In December 2008, a third party company filed a complaint in the United States of America against the Group, one of its associates 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 monitors and televisions ("Patent II").

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

(i) they manufacture, assemble, service, including unlicensed monitors and televisions, 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 and that an appropriate amount of provision has been made, if any.

(d) In January 2009, a third party company filed a complaint in Germany against the Group, one of its associates 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 associate are concerned, it is alleged among other matters that:

(i) they had had infringed, actively induced, contributed to the infringement of Patent III 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 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 and that an appropriate amount of provision has been made, if any.

(e) 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.

39 CONTINGENT LIABILITIES (Continued)

(e) (Continued)

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 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 and that an appropriate amount of provision has been made, if any.

(f) In April 2010, in light of threatened claim for infringement of patents, the Group and one of its associates filed a complaint in the United States of America against three third party companies. Under this complaint, they seek a judicial declaration from the court that they have not infringed the patents of certain digital television technologies ("Patent IV") and/or the Patent IV are invalid and unenforceable.

On 15th November 2010, the complaint is dismissed according to the Court's Order. The directors consider that the dismissal does not have any material financial impact on the Group as a whole.

(g) In July 2010, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

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 and that an appropriate amount of provision has been made, if any.

(h) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associates and another third party company.

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

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

(i) they have been infringing and continue to infringe the Patent V, and contributing to and actively inducing the infringement of Patent V by others in the United States of America.

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent V.

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 and that an appropriate amount of provision has been made, if any.

39 CONTINGENT LIABILITIES (Continued)

(i) In November 2010, a third party individual filed a complaint in the United States of America against the Group. The Complaint concerns alleged claims of personal injury caused by products that contain asbestos.

The directors are of the opinion that while the complaint is not properly 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 and that an appropriate amount of provision has been made, if any.

40 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for plant and equipment at the end of the reporting period but not yet incurred is as follows:

	Group	
	2010	2009
	US$'000	US$'000
No later than one year	**46,011**	10,886
Later than one year and no later than five years	**6,956**	5,828
Later than five years	**189**	247
	53,156	16,961

As at 31st December 2010, the Group has commitments for capital contribution in proportion to the Group's interests in joint ventures and commitment to acquisition of business amounting to US$7,886,000 (2009: US$51,325,000). The principal activities of these joint ventures and business are manufacturing and sale of LCD monitors, TVs and All-in-one products.

As at 31st December 2010, the Company did not have any significant capital commitments (2009: Nil).

(b) Operating lease commitments — Group as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2010	2009
	US$'000	US$'000
No later than one year	**6,987**	7,085
Later than one year and no later than five years	**14,581**	11,427
Later than five years	**7,792**	12,085
	29,360	30,597

As at 31st December 2010, the Company did not have any significant commitments under operating leases (2009: Nil).

40 COMMITMENTS (Continued)

(c) Operating lease commitments—Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2010	2009
	US$'000	US$'000
No later than one year	**2,724**	1,277
Later than one year and no later than five years	**6,273**	408
Later than five years	**1,065**	—
	10,062	1,685

As at 31st December 2010, the Company did not have any significant future operating lease receivable arrangements (2009: Nil).

41 BUSINESS COMBINATION AND DISPOSAL

(a) Purchase of a subsidiary

On 23rd December 2010, the Group acquired a further 80% equity interests in HannStar Display (Wuhan) Corp. (the "Hannstar-TPV") for a purchase consideration of US$3,400,000, in addition to 20% of the original equity interests in this associate, and obtained the control of Hannstar-TPV.

A gain from a bargain purchase of US$1,385,000 arising from the acquisition is attributable to the long-term relationship between the Group and the seller and it is included in the consolidated income statement within "other gains—net" for the year ended 31st December 2010.

41 BUSINESS COMBINATION AND DISPOSALS (Continued)

(a) Purchase of a subsidiary (Continued)

The following table summarises the consideration for Hannstar-TPV and the amounts of the assets acquired and liabilities assumed at the acquisition date, as well as the fair values at acquisition.

	2010 US$'000
Purchase consideration:	
— Cash paid	1,200
— Cash payable	2,200
Total consideration	3,400
Fair value of equity interest in Hannstar-TPV held before the business combination	1,196
	4,596
Recognised amounts of identifiable assets acquired and liabilities assumed — at fair value	
Cash and cash equivalents	437
Property, plant and equipment	4,565
Inventories	411
Trade and other receivables	3,029
Trade and other payables	(2,461)
Total identifiable net assets	5,981
Gain from a bargain purchase	(1,385)

The revenue and losses included in the consolidated income statement since 23rd December 2010 contributed by Hannstar-TPV were insignificant.

Had Hannstar-TPV been consolidated from 1st January 2010, revenue would increase by US$7,555,000 and profit would decrease by US$3,633,000 in the consolidated income statement.

41 BUSINESS COMBINATION AND DISPOSALS (Continued)

(b) Disposal of interests in a subsidiary

A subsidiary of the Group offered its shares for subscription by third parties in July 2010, which resulted in dilution of the Group's interests in this subsidiary from 85% to 50%. Consequently, this subsidiary has been deconsolidated and accounted for as a jointly controlled entity.

The following table summarises the amounts of the assets and liabilities deconsolidated at the transaction date.

	2010 US$'000
Property, plant and equipment	7,270
Inventories	3,040
Trade and other receivables	2,136
Trade payables and other payables	(9,947)
	2,499
Gain on disposal	206
	2,705
Less: Investments retained subsequent to disposal	(4,794)
	(2,089)
Satisfied by:	
Cash and cash equivalents received as consideration	—
Less: Cash and cash equivalents disposed	(2,089)
	(2,089)

The effect on the Group's results from the disposal of this subsidiary is not material for the year ended 31st December 2010.

42 RELATED PARTY TRANSACTIONS

As at 31st December 2010, the major shareholders of the Company are CEC, Mitsui and CMI, which owned 35.06%, 15.05% and 6.42% of the Company's issued shares respectively.

The Group is controlled by CEC, which indirectly owns 35.06% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

42 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties

During the years ended 31st December 2010 and 2009, the Group had the following significant transactions with its associates, jointly controlled entities and its substantial shareholders, CEC, Mitsui, CMI and Philips.

All of the transactions were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties. They were summarised as follows:

	2010 US$'000	2009 US$'000
Sales of finished goods to associates	**524,611**	585,921
Sales of finished goods to jointly controlled entities	**18,806**	—
Sales of finished goods to CEC and its subsidiaries	**465**	—
Sales of finished goods to Mitsui (Note (i))	**298,046**	—
Sales of finished goods to Philips and its subsidiaries (Note (ii))	**171,949**	640,686
Sales of finished goods to CMI and its subsidiaries	**—**	404
Purchases of raw materials from associates	**(2,355)**	—
Purchases of raw materials from jointly controlled entities	**(2,329)**	—
Purchases of raw materials from Mitsui (Note (i))	**(254,683)**	—
Purchases of raw materials from Philips and its subsidiaries (Note (ii))	**(106,018)**	(284,659)
Purchase of raw materials from CMI and its subsidiaries	**(847,793)**	(948,794)
Commission paid to an associate	**(425)**	(840)
Rental income from associates	**1,956**	1,033
Rental income from jointly controlled entities	**347**	—
Royalty paid to Philips and its subsidiaries (Note (ii))	**—**	(4,000)

(i) Mitsui has become a substantial shareholder of the Company since 16th March 2010.

(ii) Philips has ceased to be a substantial shareholder of the Company since 9th March 2010.

(iii) The above information is summarised only for the period these companies are categorised as related parties.

(b) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	2010 US$'000	2009 US$'000
Salaries and other short-term employee benefits	**3,679**	2,692
Share-based payments	**38**	—
	3,717	2,692

42 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances

	2010 US$'000	2009 US$'000
Receivable from associates (Note (i))	**140,082**	169,456
Receivable from jointly controlled entities (Note (i))	**6,471**	—
Receivables from substantial shareholders and their subsidiaries (Note (ii))		
— CEC and its subsidiaries	**—**	—
— Mitsui	**436**	—
— Philips and its subsidiaries (Note (iv))	**—**	224,782
— CMI and its subsidiaries	**1,050**	—
	1,486	224,782
Payable to associates (Note (i))	**1,436**	—
Payable to a jointly controlled entity (Note (i))	**2,141**	—
Payables to substantial shareholders and their subsidiaries (Note (iii))		
— Mitsui	**7,916**	—
— Philips and its subsidiaries (Note (iv))	**—**	81,149
— CMI and its subsidiaries	**67,215**	154,383
	75,131	235,532

Notes:

(i) Receivables from associates and jointly controlled entities and payables to associates and a jointly controlled entity were presented in the consolidated balance sheet within trade receivables and trade payables respectively.

(ii) Receivables from substantial shareholders and their subsidiaries of US$436,000 (2009: US$224,782,000) and US$1,050,000 (2009: Nil) 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$75,131,000 (2009: US$231,532,000) and Nil (2009: US$4,000,000) were presented in the consolidated balance sheet within trade payables and other payables and accruals respectively.

(iv) Philips has ceased to be a substantial shareholder of the Company since 9th March 2010.

(v) The above balances are presented only if the companies remained as related parties at the year end.

43 EVENTS AFTER THE BALANCE SHEET DATE

(a) Licensing of Philips trademarks

On 29th September 2010, AOC Holdings Limited (the "AOC"), a wholly owned subsidiary of the Company, entered into a five-year trademark license agreement with Philips, of which trademarks for the sales and distribution of colour TVs in the PRC was granted to AOC and its affiliates in which AOC is required to pay royalty on an annual basis, which is based on a percentage of the turnover of the the aforesaid TVs as specified in the agreement. The trademark license agreement was completed on 1st January 2011.

In addition, a share purchase agreement was signed in which AOC agreed to purchase two wholly-owned subsidiaries of Philips, Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, with a consideration of EUR1.23 million (equivalent to US$1,636,000). The two companies were holding the necessary spare parts, in-store samples, equipment, employees and contracts for the operations of the Philips Contributed Business. The Philips Contributed Business represents the entire business of the product management, operation, marketing, sale and distribution of the aforesaid TVs manufactured under the brand name "Philips" or any other brand name or trademark of the Philips Group as carried on by the Philips Group in the PRC prior to completion of the share purchase agreement.

The share purchase agreement was completed on 1st January 2011 and AOC acquired 100% of the share capital of Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, for a cash consideration of EUR1.23 million (equivalent to US$1,636,000) on 1st January 2011.

Details of net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration:	
— Cash payable	(1,636)
Total purchase consideration	(1,636)
Less: Provisional fair value of net identifiable assets acquired (see below)	5,119
Gain from a bargain purchase	3,483

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

	2010 **US$'000**
Inventories and spare parts	**5,119**
Intangible assets — trademark	**35,147**
Other payables and accruals	**(35,147)**
Net assets acquired	**5,119**

43 EVENTS AFTER THE BALANCE SHEET DATE (Continued)

(b) Equity transactions

On 18th January 2011, 45 million share options were granted to directors and employees, vesting over four years, with an exercise price at HK$5.008 per share and expiry date on 17th January 2021.

(c) Note issuance

On 21st March 2011, the Group issued RMB500,000,000 4.25 percent note to finance its expansion programme and working capital requirements. The note is repayable on 21st March 2014.

44 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 23rd March 2011.

Five Year Financial Summary

	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Results					
Profit attributable to equity holders	**169,349**	141,214	97,177	180,044	151,760
Assets and liabilities					
Total assets	**5,127,132**	4,154,864	3,353,653	3,836,629	3,060,856
Total liabilities	**(3,331,112)**	(2,647,242)	(1,977,253)	(2,596,188)	(1,949,483)
Net assets	**1,796,020**	1,507,622	1,376,400	1,240,441	1,111,373