SYNERGY

TPV TECHNOLOGY LIMITED 冠 捷 科 技 有 限 公 司 (Incorporated in Bermuda with limited liability) ANNUAL REPORT 2011

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 Junichi Kodama
Mr Chen Yen-Sung
Mr Robert Theodoor Smits

Independent Non-executive Directors

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Office

Units 1208-16, 12th Floor
C-Bons International Center
108 Wai Yip Street, Kwun Tong
Kowloon, Hong Kong

Legal Advisors

Appleby
D.S. Cheung & Co.
Kirkland & Ellis International LLP

Principal Bankers

Agricultural Bank of China Limited
Bank of America, N.A.
Bank of China Limited
Bank SinoPac
China Construction Bank Corporation
Chinatrust Commercial Bank, Ltd.
Industrial and Commercial Bank of China Limited
Taipei Fubon Commercial Bank Co. Ltd.
The Hongkong and Shanghai Banking Corporation Limited
The Royal Bank of Scotland plc

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Company Secretary

Ms Lee Wa Ying

Principal Share Registrar

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
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
#32-01 Singapore Land Tower
Singapore 048623

Contents

Corporate Information

Financial Highlights 02

Chairman's Statement 04

Management Discussion & Analysis 06

Report of the Directors 12

Corporate Governance Report 29

Independent Auditor's Report 37

Consolidated Income Statement 38

Consolidated Statement of Comprehensive Income 39

Consolidated Balance Sheet 40

Balance Sheet 42

Consolidated Statement of Changes in Equity 43

Consolidated Statement of Cash Flows 44

Notes to the Consolidated Financial Statements 45

Five-year Financial Summary 123

Financial Highlights

	2011	2010
Revenue (US$ Million)	**11,040.1**	11,631.6
Profit Attributable to Equity Holders of the Company (US$ Million)	**120.4**	169.3
Return on Equity (%)	**6.6**	10.3
Dividends per share (US cents)	**1.54**	2.16

Financial Highlights

	2011	2010	2009	2008	2007
Operating Results (US$'000)					
Revenue	**11,040,124**	11,631,576	8,031,972	9,247,020	8,445,151
Profit attributable to equity holders of the Company	**120,398**	169,349	141,214	97,177	180,044
Basic earnings per share (US cents)	**5.13**	7.37	6.69	4.74	9.21
Dividends per share (US cents)	**1.54**	2.16	1.86	1.38	2.82
Financial Position (US$'000)					
Total assets	**5,256,703**	5,127,132	4,154,864	3,353,653	3,836,629
Cash and cash equivalents	**303,337**	184,426	270,438	171,066	135,061
Total borrowings	**440,163**	472,533	215,336	603,255	788,145
Equity attributable to equity holders of the Company	**1,830,675**	1,793,491	1,505,583	1,375,624	1,240,318
Key Financial Ratios					
Inventory turnover (days)	**40.7**	35.8	36.8	36.6	48.0
Trade receivables turnover (days)	**75.9**	63.9	73.8	57.0	57.9
Trade payables turnover (days)	**75.1**	69.1	69.1	49.0	62.6
Return on equity (%)	**6.6**	10.3	9.8	7.4	15.4
Return on assets (%)	**2.3**	3.4	3.8	2.7	5.2
Current ratio (%)	**126.4**	126.1	127.0	145.1	135.6
Gearing ratio (%)	**8.4**	9.2	5.2	18.0	20.5
Interest coverage (times)	**11.9**	12.9	13.5	3.0	5.6
Dividend payout ratio (%)	**30.0**	29.9	29.9	30.0	30.7

Chairman's Statement

We maintained our focus on our long-term goals, and we continued to invest in the future.

Dear Shareholders,

The eurozone sovereign debt crisis and a number of other uncertainties overshadowed the global economy throughout 2011. Although there was some growth momentum during the first quarter, it faltered as the debt crisis created a political impasse in Europe and the number of sovereign credit downgrades increased. These factors hampered consumer sentiment in the markets where TPV operates. However, we maintained our focus on our long-term goals, and we continued to invest in the future.

Like many enterprises worldwide, TPV was not immune to the global economy's rapid deterioration. Our revenue and profit decreased, mainly due to our contracting LCD TV business. We also incurred higher overhead costs, due to the expansion of our manufacturing facilities and operations. Nonetheless, we believe our strategic investments will bear fruit once the overall economic climate improves and demand picks up again. TPV's long-term ambition is to become the world's leading display manufacturer, and we will continue to implement our strategic plans in spite of the present headwinds.

Last year, we agreed to form a joint venture ("JV") with Koninklijke Philips Electronics N.V. ("Philips"). The JV will take over the Philips TV business in Europe, certain areas in South America and a number of other regions. It offers us the chance to leverage on many of Philips' strengths, especially awareness of its brand and its well-established market share.

Philips is a major force in the regions covered by the JV, where it is among the three most-preferred brands, with market shares of more than 20 percent in the Netherlands, Denmark, and Belgium, and about 15 percent in Germany during 2010. It also has a strong presence in the world's fastest-growing markets, where the transition from analogue to digital broadcasting is driving huge demand for TVs. For example, it had market shares of 14 percent and 15 percent in Brazil and Russia, respectively.

TV is an innovative and constantly-evolving industry. The three critical challenges we face in order to capture opportunities as they arise are to remain on the cutting edge of innovation, to be cost-competitive, and to be fast in getting our products onto the market.

The synergy created by the JV will be particularly apparent in terms of our combined R&D capabilities. Philips has a strong track record for high-end innovation, whereas TPV has been focusing on low to mid-end products. The JV will give TPV immediate access to the well-developed Philips TV platform and technologies, especially its SmartTV platform, which will be the driver of future growth in demand.

On the other hand, we are bringing to the table TPV's other existing strengths, in terms of our supply chain management, economies of scale and operational efficiency. All these critical advantages will be boosted further as the result of our partnership with Philips, which will expand our global reach, both horizontally and vertically.

Furthermore, the JV will greatly strengthen our own brand's business, and thus our position in the industry. That is important, because we believe the parallel development of our ODM and own-brand business will ensure the Group's long-term growth and success.

The JV has three manufacturing facilities, four R&D centres and over 3,000 employees operating in more than 30 countries. Our foremost task is therefore to ensure a smooth transition in terms of corporate and cultural integration and adaptation. That will make the JV more proactive, swift and flexible in responding to market changes in a cost-conscious manner.

As far as the general economic outlook is concerned, Europe's financial woes will remain a drag on the global economy in 2012. However, latest economic data have suggested that the US economic recovery is already underway, and the revival of the world's largest consumer market would undoubtedly give global business a big boost. Meanwhile, emerging markets will continue to grow steadily, and inflationary pressures are set to ease in the coming months.

Whilst we obviously cannot control the global business environment, we can prepare ourselves for the challenges we believe it may pose. TPV has undergone a corporate restructuring that has reorganized the Group into functional units. Also, a number of our operations have been centralized. This will position us better to tackle issues in a more cost-efficient manner. I am therefore confident that a successful future lies ahead of us.

Appreciation

Our achievements are attributable to the efforts of our staff. I would like to thank all our team members for their dedicated work and contributions. Moreover, I would also like to extend my heartfelt gratitude to our shareholders for their unwavering support, the Board of Directors' valuable guidance, as well as our business partners for their continued trust. I assure you that our commitment towards building a strong, sustainable and value-creating company will remain undimmed, and that TPV is well on the road to delivering increased value for our shareholders.

Dr Hsuan, Jason
Chairman and Chief Executive Officer
Hong Kong, 21st March 2012

Industry Review

The year 2011 was another challenging one for the TFT-LCD supply chain. While sales during the first quarter were satisfactory, the market's optimism wore off and panel prices declined as the year progressed. Monitor panel prices were more resilient than TV ones, remaining firm in the first half, supported by a long-overdue replacement cycle that began in 2010. However, they subsequently fell by 5 percent in the second half, as companies and retail consumers delayed purchases due to the uncertain economic outlook, ending the year an average of 3 percent lower than at the beginning.

On the other hand, TV panel prices fell more steeply as the result of insipid demand in the market, particularly during the second half of the year. While the LCD TV segment grew, overall sales were well below the industry's expectations. This was due to a complex combination of factors. The low level of shipments was partly attributable to excessive inventory levels in the US and European markets during the earlier part of the year, and partly due to a sharp drop in demand in Japan, following the end of the government-sponsored Eco-Points programme, which had caused a surge in replacements during 2009-2010. Although manufacturers cut back output to support prices, they continued to slide by more than 10 percent until they began to stabilize in November, when popular screen sizes hit cash-cost levels. Depending on their size, TV panel prices fell by between 10 and 20 percent on an annualized basis.

Even so, the market was supported by growing demand from developing economies. The total figure for PC monitors shipped was similar to the previous year at 169.7 million units (2010: 172.3 million units). The US market posted the biggest decline, with shipments down by 7.3 percent year-on-year to 29.6 million units; whereas Latin America saw a 9.6 percent rise to 16.7 million units. While lackluster economic conditions dampened market demand for LCD TVs in developed countries, sales to developing ones continued to make significant progress, and global shipments amounted to 205.1 million units, up by 7.1 percent on the 2010 figure. Whereas demand in Western Europe was 11.1 percent lower than the previous year and shipments to the US remained flat, developing regions — such as China, Eastern Europe, Latin America and Asia-Pacific — registered strong growth ranging from 17 to more than 40 percent. The total volume of LCD TV shipments to the emerging economies grew by 24 percent year-on-year, accounting for 55.1 percent of the total (2010: 47.6 percent). In contrast, shipments to developed markets declined by 8.3 percent.

LED-backlit displays have been well received by consumers. Globally, they accounted for 39.3 percent of LCD monitor and 45.3 percent of LCD TV shipments in 2011. Demand for them is expected to increase further in 2012 to account for at least 70 percent of monitor and 60 percent of TV shipments.

Innovations such as 3D TV gained some traction during 2011. According to DisplaySearch, 3D TV shipments jumped from about 3.2 million units in 2010 to over 20 million units in 2011. The adoption of 3D technology has varied from country to country. It is more popular in China and Europe than elsewhere. Demand in China is likely to accelerate further in the coming years, as the state broadcaster is expected to launch 3D television

channels officially in the beginning of 2012. The penetration rate there is set to rise from last year's figure of around 12 percent to more than 23 percent in 2012.

Group's Results

TPV reported consolidated revenue of US$11 billion for the year 2011. This was 5.1 percent lower than the US$11.6 billion achieved in 2010. Profit attributable to equity holders of the Company declined by 28.9 percent to US$120.4 million, compared to US$169.3 million the previous financial year. This translates to basic earnings per share of US5.13 cents (2010: US7.37 cents). The gross profit ("GP") margin improved from 5.4 percent the previous year to 6 percent.

TPV's PC monitor shipments bucked the trend caused by stagnant demand in the end market, growing by 4.7 percent year-on-year to 59.1 million units. The Group also continued to gain market share. The GP margin of this business segment also improved from 6.6 percent a year ago to 7 percent, and the GP per set stood at US$7.20, which was similar to US$7.30 last year. The average selling price ("ASP") per PC monitor declined from US$111.60 to US$102.80. The lower ASP drove down segmental revenue by 3.5 percent to US$6.1 billion, compared to US$6.3 billion the previous year, and it accounted for 55.1 percent of the Group's total revenue.

The Group's LCD TV shipments declined by 8.5 percent to 12.7 million units during 2011, due to a fall in the market shares of its clients. Their GP margin improved slightly, from 4.6 percent a year ago to 5 percent, and the GP per set rose from US$13.20 to US$14.60. The ASP was maintained at US$292.60, against US$290.80 last year, as migration to larger-size screen products and increased shipments of higher priced LED-backlit models offset the impact of lower panel prices. The TV business's revenue consequently fell by 7.9 percent to US$3.7 billion, equivalent to 33.7 percent of total consolidated revenue. It recorded an operating loss of US$56.8 million, due to the increased costs incurred by the expansion of its operations.

In terms of geographical contributions, China was our largest market, accounting for US$3.2 billion or 29.3 percent of total revenue (2010: 30.8 percent). Sales to Europe and North America declined to US$2.9 billion and US$2 billion, while their respective contributions to revenue were 26.2 percent (2010: 31.4 percent) and 17.7 percent (2010: 18.8 percent). The contribution from the rest of the world increased by 34.2 percent year-on-year to US$3 billion, accounting for 26.8 percent (2010: 19 percent) of consolidated turnover. There was particularly strong growth in the Group's revenue from South America, which rocketed by 63.4 percent year-on-year to US$1.1 billion. This impressive figure once again underlines the fact that TPV has succeeded in penetrating some of the world's fastest-growing markets.

In 2011, the Group acquired licensing rights to distribute Philips TVs in China for a period of five years. Within the first year, it expanded the product range by introducing over 30 new models, and it had tripled the number of sales outlets to more than 2,000 nationwide, thus extending its coverage to the third and fourth-tier cities that are expected to become powerful growth drivers in the future.

Production

To capture increasing opportunities in Russia and neighboring markets, the Group has established a TV manufacturing site with an annual capacity of approximately 0.7 million units in St. Petersburg. It commenced mass production in June 2011. Moreover, the Group established a monitor assembly line in Beihai, the PRC, in September to serve the Southern China and ASEAN countries.

The Group has been continuously reviewing its manufacturing footprint to optimize its efficiency. In December 2011, it terminated the operations of its Suzhou factory and sold the site to the local government for US$80.1 million and realized one-time gain of US$36.7 million.

Meanwhile, the Group acquired an 8,203-square-meter plot of land in Shanghai, the PRC, for US$44 million in August 2011 to be developed into the headquarters of the Group's branded business.

At the end of last year, the Group had an annual production capacity of 79.1 million units of PC monitors and 32.2 million units of LCD TVs.

Research and Development ("R&D")

TPV is committed to staying abreast of the market's development by conducting a wide range of R&D activities. Last year, it launched more than 600 new PC monitor and LCD TV models, including some equipped with touchscreen and 3D technology, and ultra-slim and borderless design models.

The trend for monitors and desktop computers to be sold separately has continued, because monitors equipped with advanced features are increasingly regarded as components of home entertainment systems. In response, the Group has launched multifunctional monitor products with features such as multi-media, TV tuners and Internet connectivity. In addition, it has rolled out models with innovations like USB docking, and Zero-client monitors that allow users to handle every task and application without the need for a central processing unit.

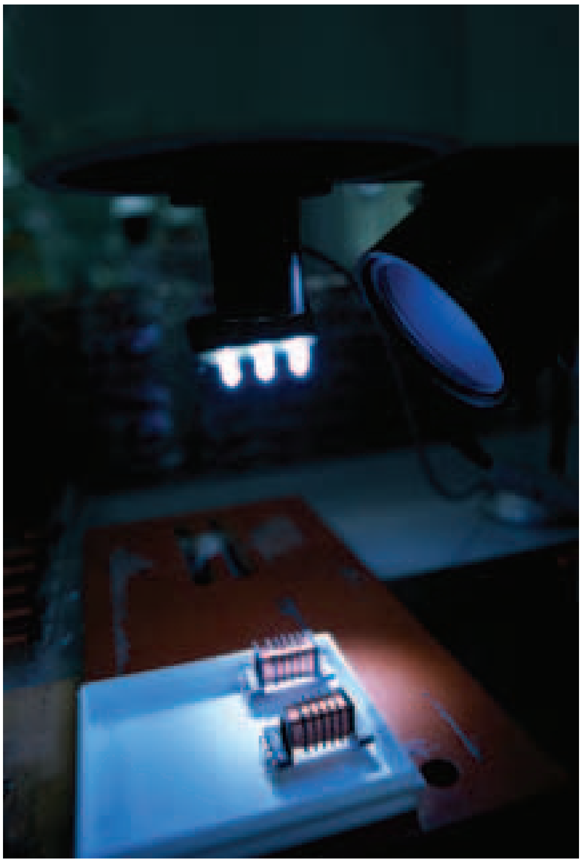
On the TV front, the Group last year introduced a new 21:9 format 3D product that provides a theatre-viewing experience in the home. Its creative designs also won several awards. For instance, AOC's Ice Drop TV won the iF Design Award and Red Dot Design Award for the innovative adoption of touch technology. In 2012, the Group will launch a SmartTV with advanced features, such as content sharing, voice control and interactivity with other electronic devices.

Workforce

As at 31st December 2011, TPV employed 29,516 people (2010: 37,473) worldwide. Our employees are regarded as TPV's most valuable assets, and they were remunerated in accordance with industry practice in the locations where they worked. The Group plans to continue along the road of self-enhancement by providing regular training for staff members and encouraging them to engage in lifelong learning, thereby enhancing its long-term competitiveness. By also ensuring a fair and inclusive working environment for its increasingly diversified workforce, the Group has positioned itself to attract and retain talented people from different cultural backgrounds.

Outlook

Last year's flooding in Thailand disrupted the supply of hard disk drives, a key component of computers, hence affecting PC sales from the fourth quarter of 2011 to the first half of 2012. Nevertheless, demand for larger screen sizes and enhanced features is expected to drive the global PC monitor market growth by 6 percent to 180 million units in 2012. In addition, the introduction of upgraded operating systems with touchscreen interface may also increase demand for touch-activated monitors.



Consumer demand for TVs was lower than expected in 2011, although signs of an improvement became apparent by the year-end. A shift towards larger screens of 40-inches or more is evident, especially in the world's two largest LCD TV markets, China and North America, as consumers increasingly favor new sizes and greater affordability. In 2012, more TV brands will introduce new sizes — such as 39 ins., 43 ins., 48 ins., 50 ins., and 65 ins. — as well as innovative features like interactive TV, 3D viewing, ultra-slim bezels and direct-type LED backlights. These will encourage consumers to upgrade for a better viewing experience. As a result, global LCD TV shipments are forecast to grow by 8 percent to 220 million units this year.

"Smart" will be the hot topic in the TV sector during the coming years. This new technology integrates TVs with computer technologies and focuses on online interactive media, on-demand streaming services, and over-the-top content that provides personalized content. It is set to revolutionize the TV viewing experience. In addition, the emergence of "cloud gaming", in which gamers buy, play and store the latest games from connected TVs, will further boost demand. To capture this growth opportunity, TPV will launch its own SmartTV in the second half of the year. In response to the acceleration of technological convergence, the Group will also invest in features and application innovations that allow electronic devices to work seamlessly with one another.

Key Developments

In November 2011, the Group signed an agreement with Philips to establish a JV to take over the latter's TV business. The JV will be responsible for the design, manufacturing, distribution, marketing and sales of Philips' television worldwide, with the exception of mainland China, India, United States, Canada, Mexico, and certain countries in South America. The JV is 70 percent owned by TPV and 30 percent by Philips. The transaction is scheduled for completion in the second quarter of 2012.

Contingent Liabilities

Details of contingent liabilities was discussed in Note 39 to the consolidated financial statements.

Liquidity, Financial Resources and Capital Structure

As at 31st December 2011, the Group's cash and bank balances (including a pledged bank deposit) totaled US$310.5 million (31st December 2010: US$186.7 million). Credit facilities secured from banks totaled

US$3.9 billion (31st December 2010: US$3.9 billion), of which US$1.3 billion was utilized (31st December 2010: US$1.5 billion).

All bank loans were borrowed on a floating-rate basis and note payable was issued at a fixed coupon rate of 4.25 percent. The maturity profile of the Group's debts, as of 31st December 2011, was as follows:

Duration	2011 US$'000	2010 US$'000
Within one year	**362,000**	472,533
Between two and five years	**78,163**	—
Wholly repayable within five years	**440,163**	472,533

The Group's inventory turnover days stood at a healthy 40.7 days (2010: 35.8 days) at the end of December 2011. Trade receivable turnover days increased from 63.9 days in 2010 to 75.9 days, while trade payable turnover days also increased from 69.1 days to 75.1 days.

Its gearing ratio, representing the ratio of total borrowings to total assets, decreased to 8.4 percent (2010: 9.2 percent). The current ratio stood at 126.4 percent at the end of 2011 (2010: 126.1 percent).

Foreign Exchange Risk

As at 31st December 2011, the total notional principal amounts of the Group's outstanding foreign exchange forward contracts were as follows:

	2011 US$'000	2010 US$'000
Sell Renminbi for US dollar	**3,301,192**	3,678,641
Sell US dollar for Renminbi	**2,710,000**	3,266,000
Sell Japanese Yen for US dollar	**3,640**	56,900
Sell Euro for US dollar	**178,665**	208,254
Sell Brazillian real for US dollar	**77,900**	49,800
Sell Indian rupee for US dollar	**22,000**	11,000
Sell British pound for US dollar	**—**	7,077
Sell US dollar for Russian ruble	**15,000**	765
Sell US dollar for New Taiwan dollar	**17,000**	17,000

The directors submit their annual report together with the audited consolidated financial statements for the year ended 31st December 2011.

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

PROPOSED FINAL DIVIDEND

The directors had declared an interim dividend of US0.63 cent per ordinary share, totaling approximately US$14,777,000 which was paid on Friday, 14th October 2011.

The directors recommend the payment of a final dividend of US0.91 cent per ordinary share, totaling approximately US$21,345,000 for the year ended 31st December 2011.

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 (Hong Kong) Limited or The Hongkong and Shanghai Banking Corporation Limited, in Hong Kong at or about 11:00 a.m. on Thursday, 31st May 2012.

The dividend cheques will be distributed to shareholders on or about Friday, 8th June 2012.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Thursday, 31st May 2012 to Friday, 1st June 2012, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 30th May 2012 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 5:00 p.m. on Wednesday, 30th May 2012 (as the case may be).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 29 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$182,000.

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. The Previous Scheme expired on 20th September 2009.

The purpose of the New Scheme is to provide the Company with a flexible and effective means of incentivizing, 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.

SHARE OPTION (Continued)

(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.

(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.

SHARE OPTION (Continued)

During the year ended 31st December 2011, 45,000,000 share options have been granted and no share options have been cancelled.

On 18th January 2011, 45,000,000 share options were granted to a director and certain employees of the Group with an exercisable period from 18th January 2012 to 17th January 2021. There are four vesting periods for these share options. The closing market price per share at the date immediately before the date on which the share options were granted was HK$4.98. The estimated fair value of these share options was approximately HK$82,583,000, based on the Binomial Option pricing model. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option. The significant inputs into the model are as follows:

	Options granted to a director and certain employees
Date of grant (Measurement Date)	18th January 2011
Exercise price	HK$5.008 per share
Closing share price on date of grant	HK$4.96 per share
Expected life	10 years commencing from 18th January 2011 and expiring on 17th January 2021 (both days inclusive)
Expected volatility	53.96 percent
Expected dividend yield	3.11 percent per annum
Risk free rate	2.73 percent per annum

The expected volatility is the historical volatility of the Company over the most recent period commensurate with the expected life of the share options.

The accounting policy adopted for the share options and the treatment of forfeiture prior to the expiry date (if any) are set out in Note 2.24 to the consolidated financial statements.

SHARE OPTION (Continued)

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31st December 2011 and options exercised and lapsed during the year were as follows:

				Number of options				
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1st January 2011	Granted	Exercised	Lapsed	As at 31st December 2011
Directors								
Dr Hsuan, Jason	18/01/2011	5.008 (Note 2)	18/01/2012–17/01/2021	0	150,000	0	0	150,000
			18/01/2013–17/01/2021	0	150,000	0	0	150,000
			18/01/2014–17/01/2021	0	150,000	0	0	150,000
			18/01/2015–17/01/2021	0	150,000	0	0	150,000
Mr Chan Boon Teong	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	80,000	0	0	0	80,000
			12/12/2009–11/12/2012	120,000	0	0	0	120,000
			12/12/2010–11/12/2012	200,000	0	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	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	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	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	0	0	150,000
Employees	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	3,933,605	0	0	(106,000)	3,827,605
			12/12/2009–11/12/2012	5,900,408	0	0	(159,000)	5,741,408
			12/12/2010–11/12/2012	9,834,013	0	0	(265,000)	9,569,013
	18/01/2011	5.008 (Note 2)	18/01/2012–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
			18/01/2013–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
			18/01/2014–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
			18/01/2015–17/01/2021	0	11,100,000	0	(230,000)	10,870,000
				20,668,026	45,000,000	0	(1,450,000)	64,218,026

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.

2 These options are exercisable at HK$5.008 (US$0.64) per share in four tranches: the maximum percentage of share options exercisable within the periods commencing from 18th January 2012 to 17th January 2021, from 18th January 2013 to 17th January 2021, from 18th January 2014 to 17th January 2021 and 18th January 2015 to 17th January 2021 are 25 percent, 50 percent 75 percent and 100 percent respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2011, including contributed surplus, amounted to approximately US$135,515,000.

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 123.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year, the Company repurchased a total of 200,000 of its ordinary shares of US$0.01 each through the Exchange in June 2011 at prices ranging from HK$3.60 (US$0.46) to HK$3.65 (US$0.47) per share, for a total consideration of HK$725,000 (US$93,000). These repurchased shares were cancelled. The repurchase was effected as it was considered that the Company's shares were trading at a discount to the net asset value per share.

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors
Dr Hsuan, Jason

Non-executive Directors
Mr Liu Liehong (Note 1)
Mr Lu Ming
Ms Wu Qun (Note 1)
Mr Xu Haihe (Note 1)
Mr Du Heping (Note 1)
Mr Tam Man Chi (Note 1)
Mr Junichi Kodama
Mr Chen Yen-Sung
Mr Robert Theodoor Smits

Independent Non-executive Directors
Mr Chan Boon Teong (Note 3)
Dr Ku Chia-Tai (Note 3)
Mr Wong Chi Keung (Note 3)

Notes:

1 In accordance with Bye-law 99 of the Company's Bye-laws, Mr Liu Liehong, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping and Mr Tam Man Chi will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

2 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.

3 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

Directors

Dr Hsuan, Jason
Executive Director
Chairman & Chief Executive Officer (Age: 68)

Dr Hsuan, joined the Group in 1990 and has been the chairman and chief executive officer of the Company since 1999. Dr Hsuan is the chairman of nomination committee and investment committee and member of remuneration committee of the Company. He is also a director of certain subsidiaries of Company. Dr Hsuan is responsible for the overall corporate policies and business development of the Group. Before joining the Company, he had over 19 years of managerial experience in well-known multinational 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 Exchange 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.

Mr Liu Liehong
Non-executive Director (Age: 43)

Mr Liu 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 Co., Ltd. (a company listed on the Exchange), the director and general manager of China Electronics Corporation ("CEC"), 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 Exchange), 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.

Mr Lu Ming
Non-executive Director (Age: 62)

Mr Lu 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 CEC, the vice president, president and chairman of the board of Great Wall Technology Co., Ltd. (a company listed on the Exchange), the vice chairman of China Great Wall Computer (Shenzhen) Co., Ltd. (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 Co., Ltd. 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 is also a member of remuneration committee and investment committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Ms Wu Qun

Non-executive Director (Age: 52)

Ms Wu, 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 CEC'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 CEC'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. She is also a member of nomination committee and investment committee of the Company.

Mr Xu Haihe

Non-executive Director (Age: 57)

Mr Xu 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 CEC'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.

Mr Du Heping

Non-executive Director (Age: 57)

Mr Du, 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 Co., Ltd. (a company listed on the Exchange), the chairman and secretary of the Communist Party of China Great Wall Computer (Shenzhen) Co., Ltd. (a company listed on Shenzhen Stock Exchange), a director of Shenzhen Kaifa Technology Company Limited (a company listed on Shenzhen Stock Exchange) and a director of China Great Wall Computer (H.K.) Holding 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) Co., Ltd. (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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr Tam Man Chi
Non-executive Director (Age: 64)

Mr Tam 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 Co., Ltd. (a company listed on the Exchange), a director of China Great Wall Computer (Shenzhen) Co., Ltd. (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 Exchange), 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 Junichi Kodama
Non-executive Director (Age: 56)

Mr Kodama was appointed as a non-executive director of the Company in June 2010. He is also the member of investment committee of the Company since March 2011. Mr Kodama 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 Planning and Administrative 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
Non-executive Director (Age: 46)

Mr Chen 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 is 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 Display Corporation in March 2010), a company listed on Taiwan Stock Exchange. He is in charge of the departments of accounting and financial. Since joining CMI in 2001, Mr Chen has held various positions, including the financial manager, the finance director, and the associate vice president of administration unit. He 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 also 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. Prior to joining CMI, Mr Chen served as executive director at Morgan Stanley and Finance Manager of Taiwan Semiconductor Manufacturing Company. He has over six years experiences 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr Robert Theodoor Smits

Non-executive Director (Age: 60)

Mr Smits graduated from the University of Amsterdam, the Netherlands with a degree in Business Economics. He has over 33 years of expertise and experience in the consumer durable products industry, in which he held positions in international sales, marketing, strategy & general management. Mr Smits has worked in the last 12 years of his extensive Philips career as chief executive officer ("CEO"). First he served as the CEO of Philips Domestic Appliances in 1999 and subsequently as the CEO of Philips Personal Care in 2004. In 2008, he was designated as the CEO of Philips Television. Mr Smits was appointed as a non-executive director of the Company in December 2008.

Mr Chan Boon Teong

Independent Non-executive Director (Age: 69)

Mr Chan 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 and member of nomination committee and investment committee of the Company.

Dr Ku Chia-Tai

Independent Non-executive Director (Age: 69)

Dr Ku 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, U.S.A. and a Doctorate degree in Electrical Engineering from the University of Pittsburgh, U.S.A.. 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, nomination committee and remuneration committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr Wong Chi Keung
Independent Non-executive Director (Age: 57)

Mr Wong 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 Exchange, 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 Exchange. Mr Wong is also an independent non-executive director of First Natural Foods Holdings Limited (Provisional Liquidators appointed) and was an independent non-executive director of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators appointed) (resigned on 24th June 2011), which are both listed on the Exchange. 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, nomination committee and remuneration committee of the Company.

Senior Management

Mr Houng Yu-Te
Senior Vice President (Age: 65)

Mr Houng, joined the Group in 1996, is responsible for the general administration and financial operations of the Group. He holds a Bachelor's degree in Accounting from Soochow University, Taiwan. Prior to joining the Group, 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.

Mr Shane Tyau
Vice President and Chief Financial Officer (Age: 55)

Mr Tyau, joined the Group in 1998, is responsible for managing the financial risks and investor relations of the Group. He holds a Bachelor of Commerce degree from the University of Calgary, Canada. Prior to joining the Group, he had over 15 years of experience in commercial and corporate banking.

Mr Hsieh Chi-Tsung
Senior Vice President (Age: 60)

Mr Hsieh, joined the Group in 1994, is in charge of the ODM sales and procurement of raw materials of the Group. He holds a Bachelor's degree in Mechanical Engineering from Feng Chia University, Taiwan and an Executive Master's degree in Business Administration from National Taipei University. He has worked as purchasing supervisor for over 30 years. Prior to joining the Group, he worked for a number of well-known monitor manufacturers in Taiwan.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Mr Lu Being-Chang
Senior Vice President (Age: 64)

Mr Lu, joined the Group in 1999, is in charge of new product research and development and quality assurance of the Group. He graduated from National Cheng Kung University, Taiwan with a Bachelor's degree in Science and a Master's degree in Electrical Engineering. Prior to joining the Group, 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
Vice President and Chief Technology Officer (Age: 61)

Mr Lee, joined the Group in 2002, is in charge of new products research and development of the Group. 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 joining the Group, 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 Tseng Tian-Lung
Vice President (Age: 51)

Mr Tseng, joined the Group in 2005, is in charge of sales operation of the Group. He graduated from University of Florida, United States of America with a Master's degree in Industrial Engineering. Prior to joining the Group, he worked for Philips for 13 years and was in charge of Original Equipment Manufacturer sales.

Dr Chen Nai-Yung
Vice President and Chief Information Officer (Age: 61)

Dr Chen, joined the Group in 2008, is in charge of the information technology, human resources and non-production purchasing of the Group. He 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, U.S.A. Prior to joining the Group, 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 Exchange. Dr Chen is the brother-in-law of Dr Hsuan, Jason, the chairman and CEO of the Group.

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 2011, 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 Appendix 10 — 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 2011, 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.

Save as disclosed above, 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 2011, the Company has ultimate holding company. 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2011, 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 shareholders	**Number of shares held (long position)**
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)
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 28th January 2010 (the "Consortium Agreement") and to a shareholders' agreement dated 28th 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	13.5%
— five largest suppliers combined	40.6%

Sales

— the largest customer	10.1%
— five largest customers combined	35.8%

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 Mitsui and its 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")).

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 2011 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$19,407,000	US$1,239,000,000
(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$52,458,000	US$1,287,000,000

CONNECTED TRANSACTIONS (Continued)

Transaction with the CGCSZ and its subsidiaries (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 2011 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	Nil	US$170,000,000

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 2011 has not exceeded their respective annual caps.

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 16th March 2010 and 21st June 2010 made by the Company in respect of each of the continuing connected transactions.

PUBLIC FLOAT

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

SUBSEQUENT EVENTS

Details of subsequent events are set out in Note 43 to the consolidated financial statements.

AUDITORS

The consolidated financial statements have been audited by Messrs 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, 21st March 2012

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31st December 2011, 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 2011. The attendance of individual directors at these meetings was as follows:

Name of directors	**Number of Board meetings held during the directors' term of office in 2011**	**Number of Board meetings attended**
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	7	7
Mr Liu Liehong	7	5
Mr Lu Ming	7	7
Ms Wu Qun	7	7
Mr Xu Haihe	7	7
Mr Du Heping	7	7
Mr Tam Man Chi	7	6
Mr Junichi Kodama	7	7
Mr Chen Yen-Sung	7	1
Mr Robert Theodoor Smits (Note)	7	1
Mr Chan Boon Teong	7	7
Dr Ku Chia-Tai	7	6
Mr Wong Chi Keung	7	5

Note: Mr Robert Theodoor Smits abstained from attending six board meetings to avoid possible conflicts of interest.

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.

THE BOARD (Continued)

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate 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.

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.

BOARD COMPOSITION

During the year, the Board consisted of one executive director, namely Dr Hsuan, Jason (Chairman), nine non-executive directors, namely Mr Liu Liehong, Mr Lu Ming, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping, Mr Tam Man Chi, Mr Junichi Kodama, Mr Chen Yen-Sung and Mr Robert Theodoor Smits 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.

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 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 2011.

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 COMMITTEE

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 two meetings during 2011. The attendance of individual members at Remuneration Committee meetings was as follows:

Name of directors	**Number of attendances**
Mr Chan Boon Teong *(chairman of the Remuneration Committee)*	2/2
Dr Ku Chia-Tai	2/2
Mr Wong Chi Keung	2/2
Mr Lu Ming	2/2
Dr Hsuan, Jason	1/2

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 2011. To avoid conflicts of interest, the directors' fees of independent non-executive directors were discussed and approved by the 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 which serves as an incentive to attract, retain, and motivate high-calibre staff and directors to serve the Group.

The remuneration of directors is determined in part by reference to the prevailing market conditions and their work load as directors and members of the board committees of the Company.

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.

INVESTMENT COMMITTEE

The Company has established the Investment Committee on 23rd March 2011 with specific terms of reference. The Investment Committee is responsible for reviewing the investment evaluation policies, evaluating investment proposals and making recommendations to the Board. It also reviews and reports to the Board the performance, forecast and business plan of the investments on a regular basis.

The chairman of the Investment Committee is Dr Hsuan, Jason, the chairman and chief executive officer of the Company. The other members of the Investment Committee are Mr Lu Ming, Ms Wu Qun and Mr Junichi Kodama, all of whom are non-executive directors of the Company, Mr Chan Boon Teong is an independent non-executive director of the Company. The Investment Committee shall meet as and when required, but in any event at least quarterly.

Name of directors	Number of attendances
Dr Hsuan, Jason *(chairman of the Investment Committee)*	9/9
Mr Lu Ming	7/9
Ms Wu Qun	9/9
Mr Junichi Kodama	9/9
Mr Chan Boon Teong	9/9

During the year, the Investment Committee has (i) set up approval policies for investment proposals; (ii) reviewed the performance and forecast of certain joint ventures and factories; and (iii) reviewed and approved or made recommendations on various investment proposals.

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 those requirements. After their appointment has been reviewed and approved by the 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 2011, the Board has reviewed and discussed the corporate organization restructuring and senior management succession plan.

The Company has established the Nomination Committee with specific written terms of reference with effect from 21st March 2012.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board of the Company.

The chairman of the Nomination Committee is Dr Hsuan, Jason, the chairman and chief executive officer of the Company and the other members include Ms Wu Qun, a non-executive director of the Company and Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung, all of whom are independent non-executive directors of the Company.

ACCOUNTABILITY AND AUDIT

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

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

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

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on page 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 established by the COSO (Committee of Sponsoring Organisations of the Treadway Commission). 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 2011, 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.

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. The quarterly internal audit reports are submitted to the Audit Committee for review and approval.

During 2011, the Group Internal Audit Department conducted audits and issued internal audit reports to management covering various operational and finance functions of the Group. The quarterly 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.

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 five meetings in 2011. The attendance of its individual members at these meetings was as follows:

Name of directors	**Number of attendances**
Mr Chan Boon Teong *(chairman of the Audit Committee)*	5/5
Dr Ku Chia-Tai	5/5
Mr Wong Chi Keung	5/5

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;

AUDIT COMMITTEE (Continued)

— Reviewing and recommending the annual financial statements for the year ended 31st December 2011;

— Reviewing and recommending the interim financial statements for the six months ended 30th June 2011;

— Reviewing and recommending the quarterly results;

— Reviewing the accounting policies adopted by the Group;

— Reviewing the financial statements of target company in a very substantial acquisition;

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

— Reviewing and approving the internal audit plan for 2012;

— 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 comments 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 Group'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 2012. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 24th May 2012.

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	1,730
Non-audit services	
— Financial due diligence for a very substantial acquisition	2,421
— Accountant's report for a very substantial acquisition	3,427
— Tax consulting	530
— Tax compliance	667
— Others	182
	8,957

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 Exchange and Singapore Exchange Limited.

羅兵咸永道

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 122, which comprise the consolidated and company balance sheets as at 31st December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' 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 2011, 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, 21st March 2012

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Consolidated Income Statement

FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	2011 US$'000	2010 US$'000
Revenue	5	**11,040,124**	11,631,576
Cost of goods sold		**(10,382,302)**	(11,007,331)
Gross profit		**657,822**	624,245
Other income	6	**29,478**	30,620
Realised and unrealised gains on foreign exchange forward contracts — net		**34,513**	35,961
Net exchange gains		**1,598**	23,079
Others		**73,256**	3,829
Other gains — net	7	**109,367**	62,869
Selling and distribution expenses		**(308,519)**	(280,726)
Administrative expenses		**(214,904)**	(120,913)
Research and development expenses		**(124,492)**	(105,459)
Operating profit	8	**148,752**	210,636
Finance income	10	**4,276**	2,632
Finance costs	10	**(12,138)**	(16,740)
Finance costs — net		**(7,862)**	(14,108)
Share of (loss)/profit of:			
Associates	20	**(3,584)**	6,758
Jointly controlled entities	21	**(908)**	(1,614)
Profit before income tax		**136,398**	201,672
Income tax expense	11	**(25,735)**	(42,734)
Profit for the year		**110,663**	158,938
Profit attributable to:			
Equity holders of the Company	12	**120,398**	169,349
Non-controlling interests		**(9,735)**	(10,411)
		110,663	158,938
Earnings per share for profit attributable to the equity holders of the Company	13		
— Basic		**US5.13 cents**	US7.37 cents
— Diluted		**US5.13 cents**	US7.08 cents
Dividends	14	**36,122**	50,670

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 US$'000	2010 US$'000
Profit for the year	**110,663**	158,938
Other comprehensive (loss)/income:		
Fair value losses on available-for-sale financial assets	**(1,778)**	(165)
Revaluation gain on property, plant and equipment	**3,142**	—
Deferred tax arising from revaluation gain on property, plant and equipment	**(596)**	—
Exchange differences	**(40,266)**	6,250
Other comprehensive (loss)/income for the year, net of tax	**(39,498)**	6,085
Total comprehensive income for the year	**71,165**	165,023
Attributable to:		
— Equity holders of the Company	**80,900**	175,434
— Non-controlling interests	**(9,735)**	(10,411)
Total comprehensive income for the year	**71,165**	165,023

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

Consolidated Balance Sheet

AS AT 31ST DECEMBER 2011

	Note	2011 US$'000	2010 US$'000
Assets			
Non-current assets			
Intangible assets	15	**438,834**	406,798
Property, plant and equipment	16	**511,832**	458,958
Land use rights	17	**27,068**	27,408
Investment properties	18	**38,127**	28,246
Investments in associates	20	**31,470**	30,276
Investments in jointly controlled entities	21	**9,764**	11,020
Available-for-sale financial assets	22	**734**	2,155
Deferred income tax assets	31	**21,079**	10,949
Prepayments and other receivables	24	**14,705**	—
		1,093,613	975,810
Current assets			
Inventories	23	**1,010,323**	1,305,003
Trade receivables	24	**2,398,527**	2,193,205
Deposits, prepayments and other receivables	24	**398,871**	393,281
Financial assets at fair value through profit or loss	25	**5,855**	2,562
Current income tax recoverable		**3,128**	5,431
Derivative financial instruments	35	**35,840**	65,103
Pledged bank deposits	26	**7,209**	2,311
Cash and cash equivalents	26	**303,337**	184,426
		4,163,090	4,151,322
Total assets		**5,256,703**	5,127,132
Equity			
Equity attributable to the Company's equity holders			
Share capital	27	**23,456**	23,458
Other reserves	29	**1,785,874**	1,737,191
Proposed final dividend	29	**21,345**	32,842
		1,830,675	1,793,491
Non-controlling interests		**(3,234)**	2,529
Total equity		**1,827,441**	1,796,020

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

	Note	2011 US$'000	2010 US$'000
Liabilities			
Non-current liabilities			
Borrowings and loan	30	**78,163**	—
Deferred income tax liabilities	31	**9,778**	9,526
Pension obligations	32	**6,017**	5,836
Other payables and accruals	33	**41,347**	22,460
		135,305	37,822
Current liabilities			
Trade payables	33	**2,034,840**	2,235,310
Other payables and accruals	33	**787,471**	434,883
Current income tax liabilities		**13,471**	16,415
Warranty provisions	34	**71,325**	70,312
Derivative financial instruments	35	**24,850**	63,837
Borrowings and loan	30	**362,000**	472,533
		3,293,957	3,293,290
Total liabilities		**3,429,262**	3,331,112
Total equity and liabilities		**5,256,703**	5,127,132
Net current assets		**869,133**	858,032
Total assets less current liabilities		**1,962,746**	1,833,842

Dr Hsuan, Jason
Director

Mr Lu Ming
Director

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

Balance Sheet

AS AT 31ST DECEMBER 2011

	Note	2011 US$'000	2010 US$'000
Assets			
Non-current assets			
Intangible assets	15	**107**	160
Investments in subsidiaries and amounts due from subsidiaries	19	**914,759**	798,514
		914,866	798,674
Current assets			
Amounts due from subsidiaries	19	**120,349**	172,414
Cash and cash equivalents	26	**361**	372
		120,710	172,786
Total assets		**1,035,576**	971,460
Equity			
Equity attributable to the Company's equity holders			
Share capital	27	**23,456**	23,458
Other reserves	29	**889,506**	894,405
Proposed final dividend	29	**21,345**	32,842
		934,307	950,705
Non-current liabilities			
Borrowings and loan	30	**78,163**	—
Current liabilities			
Other payables and accruals	33	**3,106**	755
Borrowings and loan	30	**20,000**	20,000
		23,106	20,755
Total liabilities		**101,269**	20,755
Total equity and liabilities		**1,035,576**	971,460
Net current assets		**97,604**	152,031
Total assets less current liabilities		**1,012,470**	950,705

Dr Hsuan, Jason
Director

Mr Lu Ming
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 2011

	Share capital US$'000	Other reserves US$'000	Non-controlling interests US$'000	Total US$'000
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/(loss) for the year, net of tax	—	175,434	(10,411)	165,023
Transactions 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
Balance at 1st January 2011	23,458	1,770,033	2,529	1,796,020
Comprehensive income:				
Profit/(loss) for the year	—	120,398	(9,735)	110,663
Other comprehensive income:				
Net fair value losses on available-for-sale financial assets	—	(1,778)	—	(1,778)
Revaluation gain on property, plant and equipment	—	3,142	—	3,142
Deferred tax arising from revaluation gain on property, plant and equipment	—	(596)	—	(596)
Exchange differences	—	(40,266)	—	(40,266)
Total comprehensive income/(loss) for the year, net of tax	—	80,900	(9,735)	71,165
Transactions with owners				
Employee share option scheme:				
— Employee share-based compensation benefits	—	4,968	—	4,968
Disposal of interests to non-controlling interests	—	(972)	972	—
Non-controlling interests' contribution to new subsidiary	—	—	3,000	3,000
Repurchases of shares	(2)	(91)	—	(93)
Dividends paid	—	(47,619)	—	(47,619)
Balance at 31st December 2011	23,456	1,807,219	(3,234)	1,827,441

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	**2011** **US$'000**	2010 US$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	37	**122,906**	(188,958)
Interest paid		**(8,421)**	(15,438)
Income tax paid		**(36,850)**	(35,183)
Net cash generated from/(used in) operating activities		**77,635**	(239,579)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**1,737**	7,449
Proceeds from disposal of land use rights received		**15,316**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**60**	—
Purchase of property, plant and equipment		**(184,427)**	(206,067)
Purchase of land use rights		**—**	(7,327)
Purchase of available-for-sale-financial assets		**(824)**	—
Purchase of financial assets at fair value through profit or loss		**(4,746)**	—
Purchase of intangible assets		**(800)**	(2,500)
Deposits for purchase of property, plant and equipment and land use rights		**(11,848)**	—
Interest received		**4,276**	2,632
Investments in associates		**(6,250)**	(14,810)
Investments in jointly controlled entities		**—**	(7,840)
Acquisition of subsidiary, net of cash acquired		**—**	(763)
Proceeds from disposal of subsidiary, net of cash disposed		**—**	(2,089)
Cash paid for acquisition of a business	41	**(1,650)**	—
Dividends received from an associate		**2,849**	8,102
Net cash used in investing activities		**(186,307)**	(223,213)
Cash flows from financing activities			
Proceeds from issue of notes payable		**74,446**	—
Net (repayments)/inception of short-term bank borrowings		**(110,533)**	466,409
Repayment of convertible bonds		**—**	(210,514)
Net proceeds from factoring of receivables		**319,993**	—
(Repurchase)/issuance of new shares		**(93)**	157,137
Repayment for derivative financial instruments — interest rate swaps		**(2,000)**	(2,000)
Increase in pledged bank deposits		**(4,898)**	(2,311)
Dividends paid		**(47,619)**	(47,386)
Non-controlling interests' contribution to new subsidiary		**3,000**	12,820
Net cash generated from financing activities		**232,296**	374,155
Net increase/(decrease) in cash and cash equivalents		**123,624**	(88,637)
Cash and cash equivalents at beginning of year		**184,426**	270,438
Exchange (losses)/gains on cash and cash equivalents		**(4,713)**	2,625
Cash and cash equivalents at end of year		**303,337**	184,426
Analysis of cash and cash equivalents:			
Bank balances and cash	26	**303,337**	184,426

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 (the "Exchange") 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 revised and amended standards, and interpretations adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2011. The adoption of these new standards, amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1st January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transactions; and
- The extent of any collectively-significant transactions qualitatively or quantitatively.

The revised standard also clarifies and simplifies the definition of a related party. The Group and the parent will disclose any transactions between its subsidiaries and its associates. There is no significant change in disclosure in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

Amendment to HKAS 32, "Classification of rights issues", 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 HKAS 8, "Accounting policies, changes in accounting estimates and errors". There is no significant effect on the financial statements with adoption of this amendment.

HK (IFRIC) — Int 19, "Extinguishing financial liabilities with equity instruments", 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. There is no significant impact on the Group or the parent entity's financial statements with the adoption of this interpretation.

"Improvements to HKFRSs 2010", mainly comprises a collection of amendments to HKFRSs. There is no significant effect on the financial statements with adoption of these amendments.

Amendments to HK (IFRIC) — Int 14, "Prepayments of a minimum funding requirement", corrects 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. There is no 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 2011, but are not currently relevant to the Group:

HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK (IFRIC) — Int 13	Customer loyalty programmes

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

HKFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for first-time adopters". This amendment includes two changes to HKFRS 1, "First-time adoption of HKFRS". The first replaces references to a fixed date of 1st January 2004 with "the date of transition to HKFRSs", thus eliminating the need for entities adopting HKFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation. The amendment is not applicable until 1st July 2011 but is available for early adoption. The Group will apply the amendment 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.

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 2015 but is available for early adoption.

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 2015.

HKFRS 10, "Consolidated financial statements", issued in June 2011. It builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. 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 2013.

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)

HKFRS 11, "Joint arrangements" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is not applicable until 1st January 2013 but is available for early adoption.

HKFRS 12, "Disclosures of interests in other entities", issued in June 2011. It includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. 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 2013.

HKFRS 13, "Fair value measurement", issued in June 2011. It aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. 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 2013.

HKAS 1 (Amendment), "Presentation of financial statements". The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will apply the amended standard from 1st July 2012.

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.

HKAS 19 (Amendment), "Employee benefits", eliminates the corridor approach and calculates finance costs on a net funding basis. The amendment is not applicable until 1st January 2013 but is available for early adoption. The Group will apply the amendment from 1st January 2013.

HKAS 27 (revised 2011), "Separate financial statements", includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The Group will apply the amended standard from 1st January 2013.

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)

HKAS 28 (revised 2011), "Associates and joint ventures", includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group will apply the amended standard from 1st January 2013.

HKAS 32 (Amendment), "Offsetting financial assets and financial liabilities", clarifies the requirements for offsetting financial instruments and amendments to HKFRS 7, "Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities" help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The interpretation is not applicable until 1st January 2014 but is available for early adoption. The Group will apply the amendment from 1st January 2014.

HK (IFRIC) — Int 20, "Stripping costs in the production phase of a surface mine", includes the requirements for recognition of benefits from the stripping activity realised in the form of inventory produced. The interpretation is not applicable until 1st January 2013 but is available for early adoption. The Group will apply the interpretation from 1st January 2013.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations*

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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 finance 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 Subsidiaries (Continued)

2.2.2 Separate financial statements

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 and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments 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 investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 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. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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.

If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates or jointly controlled entities" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

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 joint ventures are recognised in the 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.

2.4 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.

2.5 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 where 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)

2.5 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 differences 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 hyper-inflationary 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 rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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. Exchange differences arising are recognised in equity.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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.

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:

Leasehold land classified as finance lease	Shorter of remaining lease term of 30-50 years
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 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains — net" in the income statement.

2.7 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 2.6 above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment properties, principally comprising leasehold land and office buildings, are held for long-term rental yields and are not occupied by the Group. They also include 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 properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, 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.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 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 that are not subject to amortisation 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 dividend 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.

2.11 Financial assets

2.11.1 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 settled 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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "non-current prepayment and other receivables", "trade receivables", "deposits, prepayments and other receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.16 and 2.17).

(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 balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.2 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.

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.

2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 referred to in (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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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".

2.15 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.

2.16 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.

2.17 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.

2.18 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 owners of the Company 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 owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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.

2.20 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.

2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company'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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 substantively 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.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability 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.

(c) Offsetting

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.

2.23 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

(a) Pension obligations (Continued)

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)

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

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
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service 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. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service 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.

After vesting, when the share options are forfeited before expiry or expire, the amount previously recognised in "employee share-based compensation reserve" will be transferred to "retained profits".

(b) Share-based payment transactions among group entities

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 in the parent entity accounts.

(c) Social security contributions on share options gains

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 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.

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.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return 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 have 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) Rental income

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

2.27 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 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 offset against the costs of the related assets.

2.29 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.

2.30 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.31 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 payments 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.

2.32 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.

2.33 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 or directors, where appropriate.

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 and cross currency swaps to manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

As at 31st December 2011, 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$2,582,000 (2010: US$1,426,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated trade and other receivables, trade and other payables, borrowings and cash and cash equivalents.

As at 31st December 2011, 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$958,000 (2010: US$2,068,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars denominated trade payables.

As at 31st December 2011, if US dollars had weakened/strengthened by 1 percent against Euro with all other variables held constant, post-tax profit for the year would have been US$944,000 (2010: US$1,457,000) 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 notes issued at a fixed coupon rate of 4.25% in 2011 and due in March 2014. Details of the Group's borrowings and notes payable have been disclosed in Note 30.

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 35.

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 2011, 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$50,176 (2010: US$28,684) and US$2,086 (2010: US$1,991) 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.

As at 31st December 2011 and 2010, 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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	**2011** **US$'000**
Customer C	**316,180**
Customer B	**280,229**
Customer A	**129,154**
Customer D	**126,132**
Customer E	**87,517**
	939,212

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

(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 30) 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 balance sheet, the Group holds cash and cash equivalents of US$ 303,337,000 (2010: US$184,426,000) (Note 26) and trade receivables of US$2,398,527,000 (2010: US$2,193,205,000) (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$5,855,000 (2010: US$2,562,000) (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	Between 1 and 2 years	Between 2 and 5 years	Total
	US$'000	US$'000	US$'000	US$'000
At 31st December 2011				
Borrowings and loan	**362,000**	**—**	**79,365**	**441,365**
Interest payments on borrowings	**4,638**	**3,373**	**1,687**	**9,698**
Derivative financial instruments	**24,850**	**—**	**—**	**24,850**
Trade payables	**2,034,840**	**—**	**—**	**2,034,840**
Other payables and accruals	**787,471**	**20,517**	**20,830**	**828,818**
Financial guarantee contracts	**16,570**	**—**	**—**	**16,570**
At 31st December 2010				
Borrowings and loan	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

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 2011				
Borrowings and loan	**20,000**	**—**	**79,365**	**99,365**
Interest payments on borrowings	**3,411**	**3,373**	**1,687**	**8,471**
Other payables and accruals	**3,106**	**—**	**—**	**3,106**
Financial guarantee contracts	**3,166,013**	**—**	**—**	**3,166,013**
At 31st December 2010				
Borrowings and loan	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

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 date 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 2011				
Foreign exchange forward contracts				
— Inflow	**3,348,426**	**—**	**—**	**3,348,426**
— Outflow	**3,343,345**	**—**	**—**	**3,343,345**
At 31st December 2010				
Foreign exchange forward contracts				
— Inflow	3,285,733	—	—	3,285,733
— Outflow	3,263,724	—	—	3,263,724

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 borrowings, 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 and loan (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 per cent as reasonable.

	Group		**Company**	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings and loan	**440,163**	472,533	**98,163**	20,000
Less: Cash and cash equivalents	**(303,337)**	(184,426)	**(361)**	(372)
Net debt	**136,826**	288,107	**97,802**	19,628
Total equity	**1,827,441**	1,796,020	**934,307**	950,705
Total capital	**1,964,267**	2,084,127	**1,032,109**	970,333
Gearing ratio	**7.0%**	13.8%	**9.5%**	2.0%

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 2011:

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets	**301**	**—**	**433**	**734**
Financial assets at fair value through profit or loss	**5,855**	**—**	**—**	**5,855**
Derivative financial instruments	**—**	**35,840**	**—**	**35,840**
	6,156	**35,840**	**433**	**42,429**
Liabilities				
Derivative financial instruments	**—**	**24,850**	**—**	**24,850**

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 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.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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 2011:

	Available-for-sale financial assets US$'000
Opening balance	**76**
Additions	**824**
Exchange difference	**13**
Impairment losses recognised in profit or loss	**(480)**
Closing balance	**433**

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

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 2.10. 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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(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.

(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 year 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 updates 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. Fiscal refund, income and government grant, technical innovation subsidy, acquisition-related costs, gain on disposal of land use right in Suzhou — 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 additions 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, non-current prepayment and other receivables, financial assets at fair value through profit or loss, current income tax recoverable, derivative financial instruments, other receivables, pledged bank deposits and cash and cash equivalents, which are managed on a central basis. These are included in the reconciliation to total balance sheet assets.

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

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31st December 2011 are as follows:

	For the year ended 31st December 2011			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers	**6,079,480**	**3,721,925**	**1,238,719**	**11,040,124**
Cost of goods sold	**(5,651,944)**	**(3,535,965)**	**(1,194,393)**	**(10,382,302)**
Other income (excluding fiscal refund, income and government grant, and technical innovation subsidy)	**9,829**	**6,017**	**2,002**	**17,848**
Operating expenses	**(269,606)**	**(248,784)**	**(43,916)**	**(562,306)**
Adjusted operating profit/(loss)	**167,759**	**(56,807)**	**2,412**	**113,364**
Depreciation of property, plant and equipment	**35,829**	**54,208**	**19,248**	**109,285**
Amortisation of land use rights	**—**	**—**	**643**	**643**
Amortisation of intangible assets	**4,183**	**9,097**	**704**	**13,984**
Capital expenditure	**53,317**	**124,446**	**6,664**	**184,427**

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 fiscal refund, income and government grant, and technical innovation subsidy)	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

5 SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31st December 2011 are as follows:

	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Segment assets	**2,589,820**	**1,820,205**	**313,516**	**4,723,541**
Segment liabilities	**(1,660,320)**	**(999,691)**	**(280,989)**	**(2,941,000)**

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)

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	
	2011	2010
	US$'000	US$'000
Adjusted operating profit for reportable segments	**113,364**	191,275
Fiscal refund, income and government grant	**11,120**	18,535
Technical innovation subsidy	**510**	826
Acquisition-related costs	**(12,900)**	—
Gain on disposal of land use right in Suzhou — net	**36,658**	—
Operating profit	**148,752**	210,636
Finance income	**4,276**	2,632
Finance costs	**(12,138)**	(16,740)
Share of profits less losses of associates	**(3,584)**	6,758
Share of profits less losses of jointly controlled entities	**(908)**	(1,614)
Profit before income tax	**136,398**	201,672

5 SEGMENT INFORMATION (Continued)

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

	As at 31st December	
	2011	2010
	US$'000	US$'000
Segment assets	**4,723,541**	4,784,653
Investment properties	**38,127**	28,246
Investments in associates	**31,470**	30,276
Investments in jointly controlled entities	**9,764**	11,020
Available-for-sale financial assets	**734**	2,155
Deferred income tax assets	**21,079**	10,949
Non-current prepayments and other receivables	**11,857**	—
Financial assets at fair value through profit or loss	**5,855**	2,562
Current income tax recoverable	**3,128**	5,431
Derivative financial instruments	**35,840**	65,103
Other receivables	**64,762**	—
Pledged bank deposits	**7,209**	2,311
Cash and cash equivalents	**303,337**	184,426
Total assets	**5,256,703**	5,127,132

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

	At 31st December	
	2011	2010
	US$'000	US$'000
Segment liabilities	**2,941,000**	2,768,801
Current income tax liabilities	**13,471**	16,415
Derivative financial instruments	**24,850**	63,837
Deferred income tax liabilities	**9,778**	9,526
Borrowings and loan	**440,163**	472,533
Total liabilities	**3,429,262**	3,331,112

The segment revenue by geography are as follows:

	For the year ended 31st December	
	2011	2010
	US$'000	US$'000
The PRC	**3,236,756**	3,589,024
Europe	**2,887,527**	3,651,774
North America	**1,954,860**	2,184,219
South America	**1,146,889**	701,900
Australia	**67,458**	108,215
Africa	**41,637**	25,446
Rest of the world	**1,704,997**	1,370,998
	11,040,124	11,631,576

5 SEGMENT INFORMATION (Continued)

At 31st December 2011, the total of non-current assets other than financial instruments and deferred income tax assets located in the PRC is US$465,904,000 (2010: US$402,264,000), and the total of these non-current assets located in other countries is US$605,896,000 (2010: US$560,442,000).

For the year ended 31st December 2011, revenues of approximately US$1,116,720,000 (2010: US$1,151,816,000) are derived from a single external customer. These revenues are attributable to the sale of monitors and AIO computers. This customer is also the third largest debtors at the balance sheet date.

6 OTHER INCOME

	2011	2010
	US$'000	US$'000
Fiscal refund, income and government grant (Note)	**11,120**	18,535
Technical innovation subsidy (Note)	**510**	826
Rental income	**3,998**	2,624
Income from sales of scrap materials	**7,252**	6,737
Miscellaneous income	**6,598**	1,898
	29,478	30,620

Note:

Fiscal refund, income and government grant, and technical innovation subsidy were from the municipal governments.

7 OTHER GAINS — NET

	2011	2010
	US$'000	US$'000
Realised and unrealised gains on foreign exchange forward contracts — net	**34,513**	35,961
Net exchange gains	**1,598**	23,079
Realised and unrealised gains on interest rate swaps — net	**866**	390
Realised and unrealised gains on cross currency swaps — net	**950**	—
Fair value losses on financial assets at fair value through profit or loss	**(1,316)**	(358)
Loss on disposal of financial assets at fair value through profit or loss	**(26)**	—
Loss on disposal of property, plant and equipment	**(10,227)**	—
Fair value gains on revaluation of investment properties	**2,801**	3,063
Impairment losses on available-for-sale financial assets	**(480)**	(857)
Gain on disposal of a subsidiary	**—**	206
Gain from bargain purchase of subsidiaries	**610**	1,385
Gain on disposal of land use rights	**80,078**	—
	109,367	62,869

8 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2011 US$'000	2010 US$'000
Cost of inventories	**9,910,336**	10,499,887
Employee benefit expense (including directors' emoluments) (Note 9)	**408,011**	327,802
Depreciation of property, plant and equipment	**109,285**	97,674
Amortisation of land use rights	**643**	492
Amortisation of intangible assets	**13,984**	3,747
Operating lease rental for land and buildings and machinery	**25,206**	14,542
Auditors' remuneration		
— Audit services	**2,556**	1,709
— Acquisition-related services	**5,848**	—
— Non-audit services	**1,899**	36
Provision for warranty (Note 34)	**92,432**	69,035
Provision for impairment of receivables (Note 24)	**15,022**	1,377
(Reversal of)/provision of inventories to net realisable value	**(22,581)**	22,011
Impairment losses on property, plant and equipment	**287**	517
Donations	**182**	411

9 EMPLOYEE BENEFIT EXPENSE

	2011 US$'000	2010 US$'000
Wages, salaries and welfare	**399,282**	324,219
Share options granted to a director and employees	**4,968**	804
Pension costs — defined contribution plans	**3,129**	2,352
Pension costs — defined benefit plan (Note 32)	**632**	427
	408,011	327,802

9 EMPLOYEE BENEFIT EXPENSE (Continued)

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31st December 2011 is set out below:

Name of director	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'000	Share-based payments US$'000	Discretionary bonuses US$'000	Total US$'000
Dr Hsuan, Jason	—	296	68	765	1,129
Mr Liu Liehong	—	—	—	—	—
Mr Lu Ming	—	—	—	—	—
Ms Wu Qun	—	—	—	—	—
Mr Xu Haihe	—	—	—	—	—
Mr Du Heping	—	—	—	—	—
Mr Tam Man Chi	—	—	—	—	—
Mr Junichi Kodama	—	—	—	—	—
Mr Chen Yen-Sung	—	—	—	—	—
Mr Robert Theodoor Smits	—	—	—	—	—
Mr Chan Boon Teong	77	—	—	—	77
Dr Ku Chia-Tai	51	—	—	—	51
Mr Wong Chi Keung	51	—	—	—	51

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	Share-based payments US$'000	Discretionary bonuses US$'000	Total US$'000
Dr Hsuan, Jason	—	331	—	807	1,138
Mr Liu Liehong	—	—	—	—	—
Mr Lu Ming	—	—	—	—	—
Ms Wu Qun	—	—	—	—	—
Mr Xu Haihe	—	—	—	—	—
Mr Du Heping	—	—	—	—	—
Mr Tam Man Chi	—	—	—	—	—
Mr Junichi Kodama (Note (ii))	—	—	—	—	—
Mr Chen Yen-Sung	—	—	—	—	—
Mr Robert Theodoor Smits	—	—	—	—	—
Mr Chan Boon Teong	44	—	—	—	44
Dr Ku Chia-Tai	33	—	—	—	33
Mr Wong Chi Keung	33	—	—	—	33
Mr Maarten Jan de Vries (Note (i))	—	—	—	—	—

Notes:

(i) Resigned on 9th April 2010

(ii) 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 (2010: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2010: four) individuals during the year are as follows:

	2011 US$'000	2010 US$'000
Basic salaries, housing allowances and other benefits in kind	**2,062**	1,388
Discretionary bonuses	**864**	839
	2,926	2,227

The emoluments fell within the following bands:

	Number of individuals 2011	2010
HK$3,500,001 to HK$4,000,000 (equivalent to US$449,294 to US$513,479)	**—**	2
HK$4,500,001 to HK$5,000,000 (equivalent to US$577,664 to US$641,849)	**1**	1
HK$5,000,001 to HK$5,500,000 (equivalent to US$641,850 to US$706,033)	**1**	1
HK$6,000,001 to HK$6,500,000 (equivalent to US$770,218 to US$834,403)	**1**	—
HK$6,500,001 to HK$7,000,000 (equivalent to US$834,404 to US$898,588)	**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

	2011 US$'000	2010 US$'000
Interest expense on bank borrowings wholly repayable within five years	**9,176**	8,288
Interest expense on convertible bonds wholly repayable within five years	**—**	8,452
Interest expense on notes payable wholly repayable within five years	**2,962**	—
	12,138	16,740
Interest income on short-term bank deposits	**(4,276)**	(2,632)
Finance costs — net	**7,862**	14,108

No borrowing costs were capitalised during the years ended 31st December 2011 and 2010.

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 (2010: 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 (credited)/charged to the consolidated income statement represents:

	2011 **US$'000**	2010 US$'000
Current income tax		
— current year	**36,989**	32,393
— (over)/under-provision in prior years	**(780)**	74
Deferred income tax (credit)/expense (Note 31)	**(10,474)**	10,267
Income tax expense	**25,735**	42,734

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate of 15% (2010: 15%) applicable to profits of the majority of the consolidated entities as follows:

	2011 **US$'000**	2010 US$'000
Profit before income tax	**136,398**	201,672
Calculated at a taxation rate of 15% (2010: 15%)	**20,460**	30,251
Different taxation rates in other countries	**1,697**	3,299
Change of taxation rate	**(158)**	179
Income not subject to tax	**(26,171)**	(5,516)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**(957)**	(552)
Expenses not deductible for tax purposes	**16,036**	8,223
Losses for which no deferred income tax asset was recognised	**15,021**	3,047
Utilisation of previously unrecognised tax loss	**(1,946)**	(2,599)
(Over)/under-provision in prior years	**(780)**	74
Withholding tax on unremitted earnings	**2,533**	6,328
Income tax expense	**25,735**	42,734

Taxation of US$596,000 was charged to equity for the year (2010: Nil) and recognized in 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$26,346,000 (2010: US$36,425,000).

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.

	2011	2010
Profit attributable to equity holders of the Company (US$'000)	**120,398**	169,349
Weighted average number of ordinary shares in issue (thousands)	**2,345,735**	2,297,634
Basic earnings per share (US cents per share)	**5.13**	7.37

(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 less the tax effect. The convertible bonds were fully redeemed and cancelled on 7th September 2010. 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. Diluted earnings per share for the year ended 31st December 2011 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

	2011	2010
Profit attributable to equity holders of the Company (US$'000)	**120,398**	169,349
Interest expense on convertible bonds (net of tax) (US$'000)	**—**	8,452
Profit used to determine diluted earnings per share (US$'000)	**120,398**	177,801
Weighted average number of ordinary shares in issue (thousands)	**2,345,735**	2,297,634
Adjustments for		
— assumed conversion of convertible bonds (thousands)	**—**	214,582
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,345,735**	2,512,216
Diluted earnings per share (US cents per share)	**5.13**	7.08

14 DIVIDENDS

	2011 US$'000	2010 US$'000
Interim, paid, of US0.63 cent (2010: US0.76 cent) per ordinary share	**14,777**	17,828
Final, proposed, of US0.91 cent (2010: US1.40 cents) per ordinary share	**21,345**	32,842
	36,122	50,670

The directors proposed on 21st March 2012 a final dividend of US0.91 cent per share (2010: US1.40 cents) payable in cash to equity holders. The amount of 2011 proposed final dividend is based on 2,345,636,139 shares in issue as at 21st March 2012 (2010: 2,345,836,139 shares as at 23rd March 2011). 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 2012.

15 INTANGIBLE ASSETS

		Group	
	Goodwill US$'000	Trademarks and patents US$'000	Total US$'000
At 1st January 2010			
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(i))	—	(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
Year ended 31st December 2011			
Opening net book amount	389,098	17,700	406,798
Additions	—	46,020	46,020
Amortisation charge (Note(i))	—	(13,984)	(13,984)
Closing net book amount	389,098	49,736	438,834
At 31st December 2011			
Cost	389,098	69,920	459,018
Accumulated amortisation	—	(20,184)	(20,184)
Net book amount	389,098	49,736	438,834

15 INTANGIBLE ASSETS (Continued)

	Company Trademarks US$'000
At 1st January 2010	
Cost	800
Accumulated amortisation	(585)
Net book amount	215
Year ended 31st December 2010	
Opening net book amount	215
Amortisation charge (Note(ii))	(55)
Closing net book amount	160
At 31st December 2010	
Cost	800
Accumulated amortisation	(640)
Net book amount	160
Year ended 31st December 2011	
Opening net book amount	160
Amortisation charge (Note(ii))	(53)
Closing net book amount	107
At 31st December 2011	
Cost	800
Accumulated amortisation	(693)
Net book amount	107

Notes:

(i) Amortisation charge for the Group is included in "cost of goods sold" and "administrative expenses" amounted to US$13,931,000 (2010: US$3,692,000) and US$53,000 (2010: US$55,000) respectively in the consolidated income statement.

(ii) Amortisation charge for the Company is included in "administrative expenses" in the income statement.

Impairment tests for goodwill

Management reviews the business performance based on the products and services they provide. It has identified Monitors and TVs as the main products. Goodwill is monitored by the management at Group level. The following is a summary of goodwill allocation for each operating segment:

	2011 **US$'000**	2010 US$'000
Monitors	**324,274**	324,274
TVs	**64,824**	64,824
	389,098	389,098

15 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill (Continued)

The recoverable amount of a cash generating unit ("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 four-year period using the estimated growth rates stated below. Thereafter, the cash flows are extrapolated using the long-term 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	TVs
Gross margin	7.7%	6.4%
Average growth rate for the first five-year period	3.8%	26.7%
Long-term growth rate	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 2011 and 2010.

16 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land outside Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Machinery and equipment	Moulds	Electrical appliances and equipment	Transportation equipment	Furniture, fixtures and miscellaneous equipment	Construction-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2010										
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 (Note 8)	–	(8,257)	(3,792)	(6,699)	(56,150)	(17,138)	(535)	(5,103)	–	(97,674)
Impairment losses (Note 8)	–	(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

Group	Freehold land outside Hong Kong	Buildings outside Hong Kong	Buildings in Hong Kong	Leasehold improvements	Machinery and equipment	Moulds	Electrical appliances and equipment	Transportation equipment	Furniture, fixtures and miscellaneous equipment	Construction-in-progress	Total
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Year ended 31st December 2011											
Opening net book amount	**18,293**	**153,472**	**–**	**33,810**	**68,043**	**57,250**	**56,494**	**2,425**	**19,834**	**49,337**	**458,958**
Exchange differences	**(514)**	**665**	**–**	**(319)**	**(4,466)**	**(161)**	**242**	**25**	**(1,066)**	**(485)**	**(6,079)**
Additions	**102**	**2,049**	**6,193**	**4,330**	**14,367**	**57,890**	**14,266**	**786**	**8,823**	**75,621**	**184,427**
Transfer	**(461)**	**10,842**	**420**	**11,597**	**18,578**	**20**	**445**	**(292)**	**2,244**	**(47,331)**	**(3,938)**
Disposals	**–**	**(37)**	**–**	**(567)**	**(898)**	**(7,939)**	**(2,057)**	**(50)**	**(99)**	**(317)**	**(11,964)**
Depreciation (Note 8)	**–**	**(8,868)**	**(223)**	**(4,377)**	**(11,832)**	**(57,747)**	**(18,607)**	**(591)**	**(7,040)**	**–**	**(109,285)**
(Provision for)/reversal of impairment losses (Note 8)	**–**	**(147)**	**–**	**–**	**(3)**	**32**	**(48)**	**–**	**576**	**(697)**	**(287)**
Closing net book amount	**17,420**	**157,976**	**6,390**	**44,474**	**83,789**	**49,345**	**50,735**	**2,303**	**23,272**	**76,128**	**511,832**
At 31st December 2011											
Cost	**17,420**	**207,891**	**6,613**	**57,876**	**139,216**	**226,812**	**149,414**	**4,659**	**50,898**	**76,825**	**937,624**
Accumulated depreciation	**–**	**(47,220)**	**(223)**	**(13,402)**	**(55,257)**	**(177,467)**	**(98,631)**	**(2,356)**	**(27,618)**	**–**	**(422,174)**
Accumulated impairment losses	**–**	**(2,695)**	**–**	**–**	**(170)**	**–**	**(48)**	**–**	**(8)**	**(697)**	**(3,618)**
Net book amount	**17,420**	**157,976**	**6,390**	**44,474**	**83,789**	**49,345**	**50,735**	**2,303**	**23,272**	**76,128**	**511,832**

Depreciation expense of US$99,766,000 (2010: US$92,276,000) has been charged in "cost of goods sold", US$1,688,000 (2010: US$694,000) in "selling and distribution expenses", US$5,010,000 (2010: US$2,334,000) in "administrative expenses", US$2,821,000 (2010: US$2,370,000) in "research and development expenses".

Impairment loss of US$287,000 (2010: US$517,000) has been charged in "cost of goods sold".

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	
	2011	2010
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**1,313**	1,336
Leases of between 10 and 50 years	**25,755**	26,072
	27,068	27,408

	2011	2010
	US$'000	US$'000
At 1st January	**27,408**	23,797
Exchange differences	**303**	144
Additions	**—**	7,327
Transfer out	**—**	(3,368)
Amortisation of prepaid operating lease payments	**(643)**	(492)
At 31st December	**27,068**	27,408

18 INVESTMENT PROPERTIES

	Group	
	2011	2010
	US$'000	US$'000
At 1st January	**28,246**	11,899
Transfer out	**—**	(351)
Transfer in	**7,080**	13,635
Net gain from fair value adjustment	**2,801**	3,063
At 31st December	**38,127**	28,246

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

The Group's investment properties comprise:

	Group	
	2011	2010
	US$'000	US$'000
Outside Hong Kong, held on:		
Freehold land	**10,140**	3,059
Lease of between 10 and 50	**27,987**	25,187
	38,127	28,246

18 INVESTMENT PROPERTIES (Continued)

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

The investment properties were revalued as at 31st December 2011 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	
	2011	2010
	US$'000	US$'000
Unlisted shares, at cost	**59,066**	59,066
Amounts due from subsidiaries	**976,042**	911,862
	1,035,108	970,928
Less: Non-current portion (Note)	**(914,759)**	(798,514)
Current portion	**120,349**	172,414

Note:

As at 31st December 2011 and 2010, 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.

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 2011 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%

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 Electronics (Fuzhou Bonded Zone) Trading Company Limited[1] (Note (b))	The PRC, limited liability company	Trading of computer monitors and flat TVs	Paid-in capital of US$3,000,000	100%
TPV Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$16,880,000	100%
TPV Display Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$12,000,000	100%
Wuhan Admiral Technology Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB80,000,000	100%
Xiamen Admiral Electronics Technology Company Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB3,000,000	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	99.81%
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 shares of PLN50 each	100%
TPV Display Polska Sp. z o.o	Poland	Production and sales of computer monitors and flat TVs	253,600 ordinary shares of PLN500 each	100%
P-Harmony Monitors (Taiwan) Limited[1]	Taiwan	Trading of computer monitors	100,000 ordinary shares of NTD10 each	100%
P-Harmony Monitors Netherlands B.V.	The Netherlands	Trading of computer monitors	300 ordinary shares of €100 each	100%
MMD-Monitors & Displays Nederland B.V.	The Netherlands	Sales and distribution of computer monitors and flat TVs	180 ordinary shares of €100 each	100%
MMD (Shanghai) Electronics Trading Company Limited[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%

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 (Shanghai) Electronics Technology Company Limited[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 Technology (Fujian) Company Limited[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-INVENTA Technology Company Limited[1]	Taiwan	Research and development and after-sale services	Paid-in capital of NTD152,500,000	51%
TPV Technology (Qingdao) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors, flat TVs and LCM modules	Paid-in capital of US$30,000,000	80%
TPV Display Technology (Xiamen) Company Limited[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) Company Limited[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$20,000,000	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%
Top Victory Australia Pty Ltd (formerly known as AOC Australia Pty Ltd)	Australia	Trading of computer monitors and flat TVs	Paid-in capital of AUD100	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%
TPV do Brazil Industria de 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	81%
TPV Optronics Technology (Wuhan) Company Limited (formerly known as 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%

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)				
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 NTD500,000	100%
MMD-Monitors & Displays Czech Republic s.r.o	Czech Republic	Sales and distribution of computer monitors and flat TVs	Paid-in capital of CZK11,701,000	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	1 ordinary share of HK$1 each	100%
PTC Technology Company Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of flat TVs	Paid-in capital of RMB19,740,030	100%
PTC Consumer Electronics Company Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of flat TVs	Paid-in capital of EUR1,240,000	100%
Ebony Hong Kong Holding Limited	Hong Kong	Investment holding	1 ordinary share of HK$1 each	100%

[1] English translation is for identification purpose only.

Notes:

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

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

(c) 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	
	2011	2010
	US$'000	US$'000
At 1st January	**30,276**	18,006
Exchange difference	**1,377**	—
Additions	**6,250**	14,810
Business combination — transfer to subsidiaries	**—**	(1,196)
Dividends	**(2,849)**	(8,102)
Share of (loss)/profit	**(3,584)**	6,758
At 31st December	**31,470**	30,276

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
2011							
Envision Peripherals, Inc.	3,520,700 ordinary shares with no par value	United States of America	**21,268**	**(19,511)**	**52,280**	**409**	**24%**
L&T Display Technology (Fujian) Limited[1] (Note (b))	Paid-in capital of US$17,000,000	The PRC	**106,716**	**(92,633)**	**313,320**	**4,376**	**49%**
L&T Display Technology (Xiamen) Limited[1] (Note (b))	Paid-in capital of US$12,000,000	The PRC	**50,175**	**(50,175)**	**148,403**	**(10,441)**	**49%**
CPT TPV Optical (Fujian) Company Limited[1] (Note (b))	Paid-in capital of US$22,500,000	The PRC	**15,227**	**(6,114)**	**8,779**	**2,032**	**20%**
Evertop (Fujian) Optoelectronics Company Limited[1] (Note (b))	Paid-in capital of US$25,000,000	The PRC	**8,508**	**(1,991)**	**6,431**	**40**	**25%**
			201,894	**(170,424)**	**529,213**	**(3,584)**	

20 INVESTMENTS IN ASSOCIATES (Continued)

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	United States of America	22,396	(21,048)	100,567	204	24%
L&T Display Technology (Fujian) Limited[1] (Note (b))	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] (Note (b))	Paid-in capital of US$12,000,000	The PRC	129,886	(119,699)	267,500	4,307	49%
CPT TPV Optical (Fujian) Company Limited[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	

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) The associate has become a wholly-owned subsidiary in December 2010.

There are no contingent liabilities relating to Group's interest in associates, and there are no contingent liabilities of the venturers themselves.

The Group has not recognized losses amounting to US$621,000 (2010: Nil) for L&T Display Technology (Xiamen) Limited, which represent the accumulated losses not recognized.

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2011	2010
	US$'000	US$'000
At 1st January	**11,020**	—
Additions	**—**	12,634
Exchange difference	**(348)**	—
Share of loss	**(908)**	(1,614)
At 31st December	**9,764**	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))	**Assets** US$'000	**Liabilities** US$'000	**Revenues** US$'000	**Profit/ (loss)** US$'000	**% Interest held indirectly**
			Attributable to the Group				
2011							
Three Titans Technology (Xiamen) Company Limited[1] (Note (b))	Paid-in capital of US$11,000,000	The PRC	**19,561**	**(14,039)**	**18,162**	**920**	**45%**
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	**6,557**	**(2,315)**	**27,285**	**(1,828)**	**49%**
			26,118	**(16,354)**	**45,447**	**(908)**	

Name	Particulars of issued shares held	Place of incorporation/ establishment (Note (a))	Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit/ (loss) US$'000	% Interest held indirectly
			Attributable to the Group				
2010							
Three Titans Technology (Xiamen) Company Limited[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.

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Notes:

(a) The jointly controlled entities principally operate in their places of incorporation or establishment.

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

There are no contingent liabilities relating to the Group's interest in jointly controlled entities, and there are no contingent liabilities of the venturers themselves.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011	2010
	US$'000	US$'000
At 1st January	**2,155**	3,177
Exchange differences	**13**	—
Additions	**824**	—
Net losses transferred to equity (Note 29)	**(1,778)**	(165)
Impairment losses charged to the income statement	**(480)**	(857)
At 31st December	**734**	2,155

Available-for-sale financial assets include the following:

	Group	
	2011	2010
	US$'000	US$'000
Listed securities:		
— Equity securities — Taiwan	**301**	2,079
Unlisted securities		
— Equity securities — Taiwan	**433**	76
	734	2,155
Market value of listed securities	**301**	2,079

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

	Group	
	2011	2010
	US$'000	US$'000
US dollars	**17**	17
New taiwan dollars	**717**	2,138
	734	2,155

23 INVENTORIES

	Group 2011 US$'000	2010 US$'000
Raw materials	**360,645**	583,978
Work-in-progress	**41,333**	51,803
Finished goods	**605,998**	666,731
Production supplies	**2,347**	2,491
	1,010,323	1,305,003

The cost of inventories recognised as expense and included in "cost of goods sold" amounted to US$9,887,755,000 (2010: US$10,521,898,000).

The Group reversed inventory provision of US$22,581,000 (2010: No reversal) during the year, as the Group has sold the inventories that were previously written down. The amount reversed has been included in "cost of goods sold".

24 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group 2011 US$'000	2010 US$'000
Non-current		
Prepayments and other receivables	**14,705**	—
Current		
Trade receivables	**2,413,710**	2,194,990
Less: Provision for impairment of trade receivables	**(15,183)**	(1,785)
Trade receivables, net	**2,398,527**	2,193,205
Deposits	**5,129**	3,881
Prepayments	**27,041**	41,703
Other receivables		
— Value-added tax refundable	**222,174**	235,911
— Receivables from disposal of land use right	**64,762**	—
— Others	**79,765**	111,786
Current portion — Trade receivables, deposits, prepayments and other receivables	**2,797,398**	2,586,486

All non-current prepayments and other receivables are due within three years from the reporting period.

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 letters of credit or documents against payment.

As at 31st December 2011 and 2010, the ageing analysis of the trade receivables based on invoice date were as follows:

	Group 2011 US$'000	2010 US$'000
0–30 days	**1,108,577**	711,023
31–60 days	**847,772**	952,291
61–90 days	**351,597**	368,636
91–120 days	**61,739**	128,775
Over 120 days	**44,025**	34,265
	2,413,710	2,194,990

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

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 2011, trade receivables of US$ 56,503,000 (2010: US$152,043,000) 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:

	Group	
	2011	2010
	US$'000	US$'000
1–90 days	**44,473**	143,851
91–120 days	**1,206**	1,164
Over 120 days	**10,824**	7,028
	56,503	152,043

As at 31st December 2011, trade receivables of US$15,183,000 (2010: US$1,785,000) were impaired. The amount of the provision was US$15,183,000 as at 31st December 2011 (2010: US$1,785,000). The individually impaired receivables mainly relate to a balance due from an associated company of US$13,240,000 and a number of small customers, which are in unexpectedly difficult economic situations. The ageing of these impaired receivables is as follows:

	Group	
	2011	2010
	US$'000	US$'000
Current	**5,639**	—
1–120 days	**7,595**	—
Over 120 days	**1,949**	1,785
	15,183	1,785

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

	Group	
	2011	2010
	US$'000	US$'000
US dollar	**1,686,450**	1,574,948
Renminbi	**651,511**	506,742
Brazilian real	**212,718**	199,482
Mexican peso	**21,831**	13,378
Euro	**64,387**	160,476
Indian rupee	**10,449**	15,748
Polish zloty	**60,920**	76,209
New taiwan dollar	**18,324**	12,069
Russian ruble	**57,371**	12,383
Other currencies	**13,437**	15,051
	2,797,398	2,586,486

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

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

	Group	
	2011	2010
	US$'000	US$'000
At 1st January	**1,785**	3,146
Provision for impairment of receivables (Note 8)	**15,022**	1,377
Receivables written off during the year as uncollectible	**(1,624)**	(2,738)
At 31st December	**15,183**	1,785

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	
	2011	2010
	US$'000	US$'000
Listed securities, at market value:		
— Equity securities — Singapore	**169**	234
— Equity securities — Taiwan (Note)	**5,686**	2,328
	5,855	2,562

Note:

It represents convertible options of an 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 (Note 7).

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 DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**233,601**	175,760	**361**	372
Short-term bank deposits	**69,736**	8,666	**–**	–
	303,337	184,426	**361**	372
Pledged bank deposits (Note 36)	**7,209**	2,311	**–**	–
	310,546	186,737	**361**	372
Maximum exposure to credit risk	**310,407**	185,988	**361**	372

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

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**97,196**	114,123	**177**	207
Renminbi	**181,718**	43,191	**1**	–
Brazilian real	**9,095**	8,769	**–**	–
Euro	**11,555**	8,878	**–**	–
Other currencies	**10,982**	11,776	**183**	165
	310,546	186,737	**361**	372

The conversion of Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The carrying amounts of cash and cash equivalents and pledged bank deposits approximate their fair value.

27 SHARE CAPITAL

	2011	2010
	US$'000	US$'000
Authorised:		
4,000,000,000 (2010: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2010: 2,345,836,139) ordinary shares of US$0.01 each	**23,456**	23,458

27 SHARE CAPITAL (Continued)

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

	2011 Number of issued ordinary shares of US$0.01 each	**2011** Par value US$'000	2010 Number of issued ordinary shares of US$0.01 each	2010 Par value US$'000
At 1st January	**2,345,836,139**	**23,458**	2,111,252,525	21,112
Issue of new shares	**—**	**—**	234,583,614	2,346
Repurchase of shares (Note)	**(200,000)**	**(2)**	—	—
At 31st December	**2,345,636,139**	**23,456**	2,345,836,139	23,458

Note:

The Company acquired 200,000 of its own shares through purchases on the Exchange on 20th June 2011. The total amount paid to acquire the shares was HK$725,000 (equivalent to US$93,000) has been deducted from share capital and share premium (Note 29). The shares are held as 'Ordinary shares'. All shares issued by the company were fully paid.

28 SHARE-BASED PAYMENTS — GROUP AND COMPANY

As at 1st January 2011, 20,668,000 options were granted to selected directors and selected employees on 12th December 2007 ("2007 Scheme"), vesting over three years, with an exercise price at HK$5.750 per share, and expiry date on 11th December 2012.

On 18th January 2011, the Group has granted 45,000,000 share options to selected directors and employees ("2011 Scheme"). The exercise price of the granted options is equal to HK$5.008. Options are conditional on completing four years' service (the vesting period). The options are exercisable within ten years from the grant date and expiring on 17th January 2021 (both days inclusive).

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

	2011 Average exercise price in HK$ per share option	**2011** Number of Options (thousands)	2010 Average exercise price in HK$ per share option	2010 Number of Options (thousands)
At 1st January	**5.750**	**20,668**	5.750	21,358
Granted	**5.008**	**45,000**	—	—
Expired	**5.279**	**(1,450)**	5.750	(690)
At 31st December	**5.241**	**64,218**	5.750	20,668

Out of the 64,218,000 outstanding options (2010: 20,668,000 options), 20,138,026 options were exercisable as at 31st December 2011 (2010: 20,668,000 options). No option was exercised during 2011 (2010: nil).

28 SHARE-BASED PAYMENTS — GROUP AND COMPANY (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

	Exercise price in HK$ per share option	Number of Options (thousands) 2011	2010
Expiry date			
11th December 2012 (note (i))	5.750	**20,138**	20,668
17th January 2021 (note (ii))	5.008	**44,080**	—
		64,218	20,668

The fair value of options granted during the year determined using the Binomial Option Pricing Model was HK$1.84 per option. The significant inputs into the model were closing share price of HK$4.960 at the grant date, exercise price shown above, volatility of 53.96%, a vesting period of four years, an expected option life of ten years, dividend yield of 3.11%, a forfeiture rate of 3.28% and a risk-free interest rate of 2.73%. The volatility measured at the grant date is referenced to the historical volatility of the Company. The total expense for share options granted to directors and employees are recognized as "administrative expenses" in the income statement.

Notes:

(i) These options are exercisable at HK$5.75 (US$0.74) per share in three trenches: the maximum percentage of share options exercisable within the periods commencing from 12th December 2008 to 11th December 2012, from 12th December 2009 to 11th December 2012 and from 12th December 2010 to 11th December 2012 are 20%, 50% and 100%, respectively.

(ii) These options are exercisable at HK$5.008 (US$0.64) per share in four trenches: the maximum percentage of share options exercisable within the periods commencing from 18th January 2012 to 17th January 2021, from 18th January 2013 to 17th January 2021, from 18th January 2014 to 17th January 2021 and from 18th January 2015 to 17th January 2021 are 25%, 50%, 75% and 100%, respectively.

(iii) During the year, 1,450,000 (2010: 690,000) share options were lapsed as a result of the cessation of employment of certain employees or expiry of the share options.

29 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
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 loss 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:													
— Share options granted to a director and employees	—	—	—	804	—	—	—	—	—	—	—	—	804
Dividends paid:													
— 2009 final	—	—	—	—	—	—	—	—	—	—	—	(29,558)	(29,558)
— 2010 interim	—	—	—	—	—	—	—	—	—	—	—	(17,828)	(17,828)
Issue of new shares	154,791	—	—	—	—	—	—	—	—	—	—	—	154,791
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

29 RESERVES (Continued)

	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
At 1st January 2011	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
Net fair value loss on available-for-sale financial assets, net of tax	–	–	–	–	–	–	–	(1,778)	–	–	–	–	(1,778)
Exchange differences	–	–	–	–	(40,266)	–	–	–	–	–	–	–	(40,266)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	120,398	120,398
Disposal of interests to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(972)	(972)
Transfer from retained earnings	–	–	–	–	–	9,138	–	–	–	–	–	(9,138)	–
Transfer to retained earnings	–	–	–	–	–	–	–	–	–	(58,271)	–	58,271	–
Employee share option scheme:													
– Share options granted to a director and employees	–	–	–	4,968	–	–	–	–	–	–	–	–	4,968
Dividends paid:													
– 2010 final	–	–	–	–	–	–	–	–	–	–	–	(32,842)	(32,842)
– 2011 interim	–	–	–	–	–	–	–	–	–	–	–	(14,777)	(14,777)
Repurchase of shares	(91)	–	–	–	–	–	–	–	–	–	–	–	(91)
Revaluation gain on property, plant and equipment	–	–	–	–	–	–	–	–	3,142	–	–	–	3,142
Deferred tax arising from revaluation gain on property, plant and equipment	–	–	–	–	–	–	–	–	(596)	–	–	–	(596)
At 31st December 2011	759,464	68,202	12	15,860	(23,569)	74,071	10,001	(1,743)	7,854	–	(9,423)	906,490	1,807,219
Represented by:													
Other reserves													1,785,874
Proposed final dividend													21,345
													1,807,219

29 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
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:							
— Share options granted to a director and employees	—	—	804	—	—	—	804
Dividends paid:							
— 2009 final	—	—	—	—	—	(29,558)	(29,558)
— 2010 interim	—	—	—	—	—	(17,828)	(17,828)
Issue of new shares	154,791	—	—	—	—	—	154,791
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

	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**
At 1st January 2011	**759,555**	**12**	**10,892**	**11,433**	**58,271**	**87,084**	**927,247**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**26,346**	**26,346**
Transfer to retained earnings	**—**	**—**	**—**	**—**	**(58,271)**	**58,271**	**—**
Employee share option scheme:							
— Share options granted to a director and employees	**—**	**—**	**4,968**	**—**	**—**	**—**	**4,968**
Dividends paid:							
— 2010 final	**—**	**—**	**—**	**—**	**—**	**(32,842)**	**(32,842)**
— 2011 interim	**—**	**—**	**—**	**—**	**—**	**(14,777)**	**(14,777)**
Repurchase of shares	**(91)**	**—**	**—**	**—**	**—**	**—**	**(91)**
At 31st December 2011	**759,464**	**12**	**15,860**	**11,433**	**—**	**124,082**	**910,851**
Represented by:							
Other reserves							**889,506**
Proposed final dividend							**21,345**
							910,851

29 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 Exchange, 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.

30 BORROWINGS AND LOAN

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
Notes payable	**78,163**	—	**78,163**	—
Current				
Bank borrowings	**362,000**	472,533	**20,000**	20,000
	362,000	472,533	**20,000**	20,000
Total borrowings and loan	**440,163**	472,533	**98,163**	20,000

As at 31st December 2011, the Group's and the Company's borrowings and loan were repayable as follows:

	Group				Company			
	Borrowings		Notes payable		Borrowings		Notes payable	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**362,000**	472,533	**—**	—	**20,000**	20,000	**—**	—
Between two and five years	**—**	—	**78,163**	—	**—**	—	**78,163**	—
Wholly repayable within five years	**362,000**	472,533	**78,163**	—	**20,000**	20,000	**78,163**	—

30 BORROWINGS AND LOAN (Continued)

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

	2011	2010
Bank borrowings	**1.05%–6.67%**	0.79%–3.51%
Notes payable	**5.02%**	—

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

The carrying amounts of the Group's borrowings and loan are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**342,013**	467,238	**20,000**	20,000
Renminbi	**78,163**	5,295	**78,163**	—
Polish zloty	**19,987**	—	**—**	—
Total borrowings and loan	**440,163**	472,533	**98,163**	20,000

As at 31st December 2011, the Group's and the Company's available and undrawn bank loan and trade finance facilities were as follows:

	2011	2010
	US$'000	US$'000
Total available and undrawn facilities	**2,638,911**	2,399,549

31 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	
	2011	2010
	US$'000	US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**7,595**	1,258
— Deferred income tax assets to be recovered within 12 months	**13,484**	9,691
	21,079	10,949
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	**(737)**	(1,136)
— Deferred income tax liabilities to be settled within 12 months	**(9,041)**	(8,390)
	(9,778)	(9,526)
Deferred income tax assets (net)	**11,301**	1,423

31 DEFERRED INCOME TAX (Continued)

Deferred income tax of US$596,000 was charged to equity during the year (2010: Nil).

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

	2011 US$'000	2010 US$'000
At 1st January	**1,423**	11,690
Income statement credit/(charge) (Note 11)	**10,474**	(10,267)
Deferred tax expense charged to equity	**(596)**	—
At 31st December	**11,301**	1,423

The movements in deferred income tax assets during the year without taking into consideration the offsetting of balances within the same tax justification are as follows:

	Provisions		Pension obligation		Unrealised profits on inventories		Tax losses		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
At 1st January	**13,156**	11,531	**1,322**	1,265	**–**	524	**2,022**	–	**16,500**	13,320
Credited/(charged) to the income statement	**(3,066)**	1,625	**73**	57	**–**	(524)	**9,927**	2,022	**6,934**	3,180
At 31st December	**10,090**	13,156	**1,395**	1,322	**–**	–	**11,949**	2,022	**23,434**	16,500

The movements in deferred income tax liabilities during the year without taking into consideration the offsetting of balances within the same tax justification 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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
At 1st January	**(309)**	–	**(7,240)**	(649)	**(1,200)**	(981)	**(6,328)**	–	**(15,077)**	(1,630)
Credited/(charged) to the income statement	**189**	(309)	**6,006**	(6,591)	**(122)**	(219)	**(2,533)**	(6,328)	**3,540**	(13,447)
Charged to equity	**–**	–	**–**	–	**(596)**	–	**–**	–	**(596)**	–
At 31st December	**(120)**	(309)	**(1,234)**	(7,240)	**(1,918)**	(1,200)	**(8,861)**	(6,328)	**(12,133)**	(15,077)

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$176,523,000 (2010: US$115,685,000) that can be carried forward against future taxable income. Losses amounting to US$77,761,000 (2010: US$16,823,000) expire from 2012 to 2021.

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 reinvested. Unremitted earnings totalled US$335,819,000 at 31st December 2011 (2010: US$256,145,000).

32 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 2011 were valued by Actuarial Consulting Co., Ltd, an independent actuary.

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

	Group	
	2011	2010
	US$'000	US$'000
Present value of funded obligations	**8,048**	9,744
Fair value of plan assets	**(668)**	(1,072)
	7,380	8,672
Unrecognised actuarial losses	**(1,363)**	(2,836)
Liability in the balance sheet	**6,017**	5,836

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

	2011	2010
	US$'000	US$'000
Current service cost	**314**	261
Interest cost	**169**	159
Expected return on plan assets	**(19)**	(21)
Net actuarial losses recognised during the year	**168**	28
Total expense, within employee benefit expense (Note 9)	**632**	427

The actual loss on plan assets was US$8,000 (2010: US$5,000).

Movements in the pension obligations are as follows:

	Group	
	2011	2010
	US$'000	US$'000
At 1st January	**9,744**	6,963
Current service cost	**314**	261
Interest cost	**169**	159
Benefit paid	**(585)**	(147)
Actuarial (gains)/losses	**(1,244)**	1,618
Exchange differences	**(350)**	890
At 31st December	**8,048**	9,744

32 PENSION OBLIGATIONS (Continued)

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

	Group	
	2011	2010
	US$'000	US$'000
At 1st January	**1,072**	905
Expected return on plan assets	**19**	21
Contributions	**202**	199
Benefit paid	**(585)**	(147)
Actuarial losses	**(8)**	(5)
Exchange differences	**(32)**	99
At 31st December	**668**	1,072

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate	**1.75%**	1.75%
Expected rate of return on plan assets	**1.75%**	1.75%
Expected rate of future salary increment	**3.50%**	3.50%

33 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
License fee payable	**33,649**	11,117	**—**	—
Accrued employee benefits	**6,063**	9,167	**—**	—
Others	**1,635**	2,176	**—**	—
	41,347	22,460	**—**	—
Current				
Trade payables	**2,034,840**	2,235,310	**—**	—
Other payables and accruals				
— Accrued employee benefits	**80,462**	87,878	**180**	109
— Accrued operating expenses	**75,748**	72,267	**2,926**	646
— Duty and tax payable other than income tax	**57,139**	53,091	**—**	—
— License fee payable	**21,671**	8,584	**—**	—
— Payables under factoring arrangement	**319,993**	—	**—**	—
— Payables for purchase of plant and equipment	**75,192**	63,470	**—**	—
— Others	**157,266**	149,593	**—**	—
	2,822,311	2,670,193	**3,106**	755

33 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

At 31st December 2011, the ageing analysis of trade payables based on invoice date was as follows:

	Group	
	2011	2010
	US$'000	US$'000
0–30 days	**781,925**	885,979
31–60 days	**614,787**	835,998
61–90 days	**283,727**	254,710
Over 90 days	**354,401**	258,623
	2,034,840	2,235,310

The carrying amounts of trade payables approximate their fair values.

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

	Group	
	2011	2010
	US$'000	US$'000
US dollar	**1,775,375**	2,019,290
Renminbi	**197,144**	176,750
Polish zloty	**23,241**	7,800
Euro	**4,193**	13,936
Other currencies	**34,887**	17,534
	2,034,840	2,235,310

34 WARRANTY PROVISIONS

	Group	
	2011	2010
	US$'000	US$'000
At 1st January	**70,312**	67,272
Charged to the income statement (Note 8)	**92,432**	69,035
Utilised during the year	**(91,419)**	(65,995)
At 31st December	**71,325**	70,312

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 2011 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.

35 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Foreign exchange forward contracts (Note (a))	**33,530**	**(19,264)**	64,360	(52,471)
Interest rate swaps (Note (b))	**627**	**(5,266)**	743	(11,366)
Cross currency swaps (Note (c))	**1,683**	**(320)**	—	—
	35,840	**(24,850)**	65,103	(63,837)

(a) Foreign exchange forward contracts

The total notional principal amounts of the outstanding foreign exchange forward contracts as at 31st December 2011 are as follows:

	Group	
	2011	2010
	US$'000	US$'000
Sell Renminbi for US dollar	**3,301,192**	3,678,641
Sell US dollar for Renminbi	**2,710,000**	3,266,000
Sell Japanese Yen for US dollar	**3,640**	56,900
Sell Euro for US dollar	**178,665**	208,254
Sell Brazilian real for US dollar	**77,900**	49,800
Sell Indian rupee for US dollar	**22,000**	11,000
Sell British pound for US dollar	**—**	7,077
Sell US dollar for Russian ruble	**15,000**	765
Sell US dollar for New Taiwan dollar	**17,000**	17,000

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31st December 2011 was US$213,000,000 (2010: US$333,300,000).

(c) Cross currency swaps

The total notional principal amount of the outstanding cross currency swaps as at 31st December 2011 was US$69,277,000 (2010: Nil).

36 PLEDGE OF ASSETS

As at 31st December 2011, the Group's bank deposits of US$7,209,000 (2010: US$2,311,000) was pledged as security for banking facilities of the Group.

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 US$'000	2010 US$'000
Operating profit	**148,752**	210,636
Depreciation of property, plant and equipment	**109,285**	97,674
Amortisation of land use rights	**643**	492
Amortisation of intangible assets	**13,984**	3,747
Gain on disposal of a subsidiary	**—**	(206)
Gain from a bargain purchase of subsidiaries	**(610)**	(1,385)
Gain on disposal of land use rights	**(80,078)**	—
Loss/(gain) on disposal of property, plant and equipment	**10,227**	(826)
Share options granted to directors and employees	**4,968**	804
Unrealised (gains)/losses on derivative financial instruments	**(7,724)**	1,992
Fair value gains on revaluation of investment properties	**(2,801)**	(3,063)
Fair value losses on financial assets at fair value through profit or loss	**1,316**	358
Loss on disposal of financial assets at fair value through profit or loss	**26**	—
Impairment losses on available-for-sale financial assets	**480**	857
Impairment losses on property, plant and equipment	**287**	517
Operating profit before working capital changes	**198,755**	311,597
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— trade receivables	**(223,113)**	(312,073)
— deposits, prepayments and other receivables	**52,744**	(111,507)
— inventories	**279,128**	(451,419)
— trade payables	**(198,966)**	306,787
— warranty provisions, other payables and accruals and pension obligations	**14,358**	67,657
Net cash generated from/(used in) operations	**122,906**	(188,958)

38 CORPORATE GUARANTEES

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Guarantees in respect of banking facilities granted to:				
— subsidiaries	**—**	—	**3,148,013**	2,935,428
— associates	**16,570**	3,000	**—**	—
	16,570	3,000	**3,148,013**	2,935,428
Guarantees in respect of trade payables:				
— subsidiaries	**—**	—	**18,000**	—

39 CONTINGENT LIABILITIES

The directors closely monitor the outstanding complaints and disputes over patents and assess the outcome of the complaints and disputes accordingly.

(a) In December 2008, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint currently concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitors ("Patent I").

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

(b) In January 2009, a third party company filed a complaint in Germany against the Group. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent II").

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

(i) they had infringed, actively induced, contributed to the infringement of Patent II 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 appellate proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(c) 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.

39 CONTINGENT LIABILITIES (Continued)

(d) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies 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 III").

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

(i) they have been infringing and continue to infringe the Patent III, and contributing to and actively inducing the infringement of Patent III 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 III.

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.

(e) 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 proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(f) In August 2011, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns alleged infringement of a United States patent in respect of technology of the manufacture of certain televisions ("Patent IV").

The directors are of the opinion that while the proceedings are stayed automatically pending the investigation instituted by the United States International Trade Commission on the same subject-matter, it is not probable to assess the outcome of the case for the time being.

(g) In January 2012, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party company against the Group, one of its associated companies and other third party companies. The investigation concerns alleged infringement of Patent IV in respect of technology of the manufacture of certain televisions.

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

(i) they have sold for importation, imported, and/or sold within the United States after importation certain televisions that directly infringe Patent IV; and

(ii) the complainant seeks as relief a permanent exclusion order barring from entry into the United States the accused televisions. Complainant seeks as further relief permanent cease and desist orders preventing them from all commercial activities concerning infringing imported goods.

The directors are of the opinion that while the investigation is just beginning, it is not probable to assess the outcome of the case for the time being.

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 2011 US$'000	2010 US$'000
No later than one year	**67,808**	46,011
Later than one year and no later than five years	**7,670**	6,956
Later than five years	**198**	189
	75,676	53,156

As at 31st December 2011, the Company did not have any significant capital commitments (2010: Nil).

(b) Operating lease commitments — Group as lessee

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

	Group 2011 US$'000	2010 US$'000
No later than one year	**19,034**	6,987
Later than one year and no later than five years	**13,463**	14,581
Later than five years	**8,425**	7,792
	40,922	29,360

As at 31st December 2011, the Company did not have any significant commitments under operating leases (2010: Nil).

(c) Operating lease commitments — Group as lessor

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

	Group 2011 US$'000	2010 US$'000
No later than one year	**3,204**	2,724
Later than one year and no later than five years	**4,343**	6,273
Later than five years	**—**	1,065
	7,547	10,062

As at 31st December 2011, the Company did not have any significant future operating lease receivable arrangements (2010: Nil).

41 BUSINESS COMBINATION

On 29th September 2010, AOC Holdings Limited ("AOC"), a wholly-owned subsidiary of the Company, entered into a five-year trademark license agreement with Koninklijke Philips Electronics N.V. ("Philips"), under 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 higher of percentage of the turnover of the aforesaid TVs and a minimum royalty of EUR6,800,000 a year as specified in the agreement. The trademark license agreement has been effective since 1st January 2011.

In addition, a share purchase agreement was signed pursuant to which AOC agreed to purchase two wholly-owned subsidiaries of Philips, Ebony Hong Kong Holding Limited and PTC Consumer Electronic Company Limited, with a consideration of EUR1,240,000 (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 Company Limited, for a cash consideration of EUR1,240,000 (equivalent to US$1,650,000) on 1st January 2011.

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

	Fair value US$'000
Purchase consideration	
— Cash paid	1,650

	Carrying amount US$'000	Fair value US$'000
Trademark (Note 15)	—	45,220
Inventories and spare parts	1,650	2,260
Other payables	—	(45,220)
Total identifiable net assets	1,650	2,260
Gain from bargain purchase of subsidiaries		610
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31st December 2011)		117

The acquired business contributed revenue of US$211,933,000 and net loss of US$10,250,000 to the Group for the year ended 31st December 2011.

42 RELATED PARTY TRANSACTIONS

As at 31st December 2011, the major shareholders of the Company are CEC, Mitsui & Co., Ltd. ("Mitsui") and Chimei Innolux Corporation ("CMI"), which owned 35.06%, 20.19% 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.

(a) Significant transactions with related parties

During the years ended 31st December 2011 and 2010, the Group had the following significant transactions with its associates, jointly controlled entities and its substantial shareholders, CEC, Mitsui and CMI.

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:

	2011	2010
	US$'000	US$'000
Sales of goods to associates	**317,289**	524,611
Sales of goods to jointly controlled entities	**53**	18,806
Sales of goods to CEC and its subsidiaries	**815**	465
Sales of goods to Mitsui (Note (i))	**19,407**	298,046
Sales of goods to Philips and its subsidiaries (Note (ii))	**—**	171,949
Purchases of goods from associates	**(50,376)**	(2,355)
Purchases of goods from jointly controlled entities	**(72,851)**	(2,329)
Purchases of goods from Mitsui (Note (i))	**(52,458)**	(254,683)
Purchases of goods from Philips and its subsidiaries (Note (ii))	**—**	(106,018)
Purchase of goods from CMI and its subsidiaries	**(666,208)**	(847,793)
Commission paid to an associate	**—**	(425)
Rental income from associates	**2,375**	1,956
Rental income from jointly controlled entities	**1,006**	347

Notes:

(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 only presents the transactions with these companies for the period when they are categorised as related parties.

42 RELATED PARTY TRANSACTIONS (Continued)

(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:

	2011 US$'000	2010 US$'000
Salaries and other short-term employee benefits	**3,693**	3,679
Share-based payments	**473**	38
	4,166	3,717

(c) Year-end balances

	2011 US$'000	2010 US$'000
Receivables from associates (Note (i))	**104,631**	140,082
Receivables from jointly controlled entities (Note (i))	**309**	6,471
Receivables from substantial shareholders and their subsidiaries (Note (ii))		
— Mitsui	**1**	436
— CMI and its subsidiaries	**13**	1,050
	14	1,486
Payables to associates (Note (i))	**26,392**	1,436
Payable to a jointly controlled entity (Note (i))	**5,421**	2,141
Payables to substantial shareholders and their subsidiaries (Note (iii))		
— Mitsui	**15,782**	7,916
— CMI and its subsidiaries	**66,215**	67,215
	81,997	75,131

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 other receivables and trade payables and other payables respectively.

(ii) As at 31st December 2011 and 2010, receivables from substantial shareholders and their subsidiaries were presented in the consolidated balance sheet within trade receivables, except that as at 31st December 2010, US$1,050,000 was presented within deposits, prepayments and other receivables.

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

(iv) 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) Acquisition of 70% equity interest in JVCo from Philips

According to the Share Purchase Agreement ("SPA") dated 1st November 2011 among the Company, Philips, Cooperative MMD Meridian U.A. ("MMD"), and TP Vision Holding B.V. ("JVCo"), the Company, through its wholly-owned subsidiary, MMD, acquired a 70% equity interest in JVCo from Philips (the "Transaction"). Philips will retain the remaining 30% equity interest in JVCo, which can be sold by Philips to MMD under any of the Philips Put Options pursuant to the Shareholders' Agreement to be entered into at Completion. JVCo will own and control the Philips Contributed Business comprising, amongst other things, innovation and development sites, manufacturing sites, sales organizations in various countries, the Assumed Employees, and certain patents and contracts relating to the designs, manufacturing, distribution, marketing and sale of Philips branded TVs worldwide except for the Mainland China, India, the United States, Canada, Mexico and certain countries in South America.

On 1st November 2011, MMD conditionally agreed to acquire the JVCo Sale Shares and the Company has agreed to guarantee the obligations of MMD under the SPA on and subject to the terms and conditions of the SPA.

Other than the consideration to be paid (i.e. EUR 1 and contingent considerations that will be based on JVCo's average audited consolidated earnings before interest and tax), pursuant to the SPA, Philips and MMD agreed to financially support the JVCo by providing (1) shareholder loans from MMD and Philips; (2) equity contributions from MMD and Philips; and (3) brand promotion subsidy and marketing support from Philips; and (4) certain bridge loan facility from Philips. The Transaction is expected to be completed in the second quarter of 2012.

(b) Acquisition of the land use right

In March 2012, a subsidiary of the Group acquired the land use right in Shanghai, the PRC, from the government agency at a consideration of RMB282,850,000 (equivalent to US$44,897,000). The directors of the Company expect the transaction to be completed by the end of 31st December 2012.

44 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 21st March 2012.

Five-year Financial Summary

	2011	2010	2009	2008	2007
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Profit attributable to equity holders	**120,398**	169,349	141,214	97,177	180,044
Assets and liabilities					
Total assets	**5,256,703**	5,127,132	4,154,864	3,353,653	3,836,629
Total liabilities	**(3,429,262)**	(3,331,112)	(2,647,242)	(1,977,253)	(2,596,188)
Net assets	**1,827,441**	1,796,020	1,507,622	1,376,400	1,240,441

www.tpv-tech.com