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

ANNUAL REPORT 2012

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 Du Heping
Mr Jun Nakagome

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
Australia and New Zealand Banking Group 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
Standard Chartered Bank (Hong Kong) Limited
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
Shops 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

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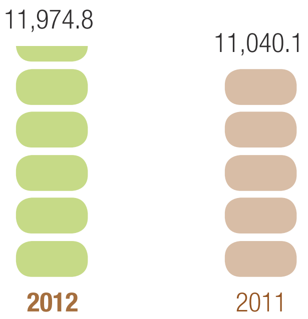
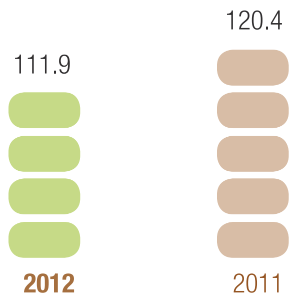
Financial Highlights

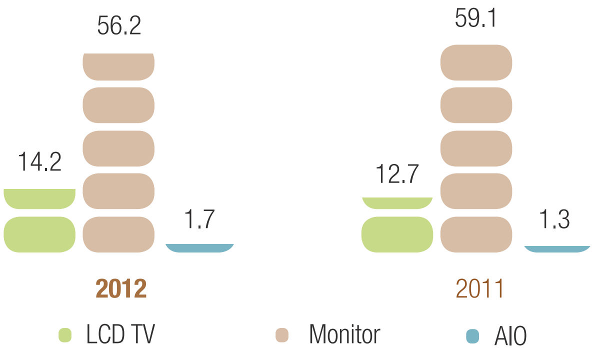
Consolidated Revenue
(US$ Million)



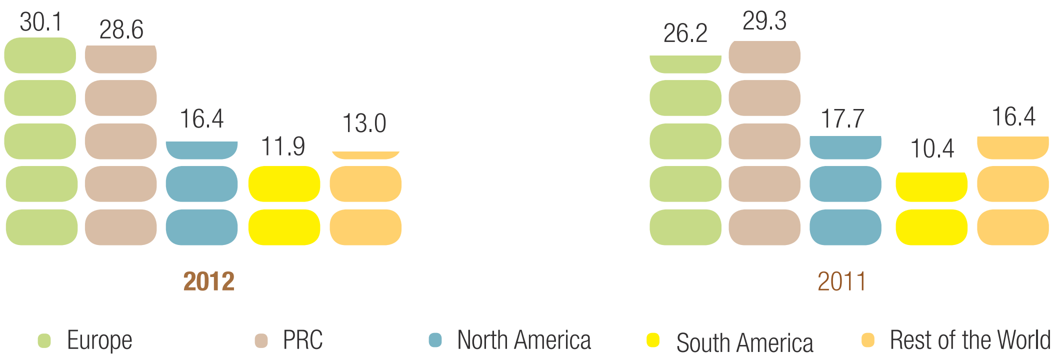
Profit Attributable to Owners of the Company
(US$ Million)



Shipment by Product Segment
(Million Units)



Revenue by Geographical Region
(%)



Financial Highlights

	2012	2011	2010	2009	2008
Operating Results (US$'000)					
Consolidated revenue	**11,974,836**	11,040,124	11,631,576	8,031,972	9,247,020
Profit attributable to owners of the Company	**111,916**	120,398	169,349	141,214	97,177
Basic earnings per share (US cents)	**4.77**	5.13	7.37	6.69	4.74
Dividends per share (US cents)	**1.43**	1.54	2.16	1.86	1.38
Financial Position (US$'000)					
Total assets	**6,448,500**	5,256,703	5,127,132	4,154,864	3,353,653
Cash and cash equivalents	**497,871**	303,337	184,426	270,438	171,066
Total borrowings	**422,352**	440,163	472,533	215,336	603,255
Equity attributable to owners of Company	**1,877,133**	1,830,675	1,793,491	1,505,583	1,375,624
Key Financial Ratios					
Inventory turnover (days)	**40.6**	40.7	35.8	36.8	36.6
Trade receivables turnover (days)	**71.9**	75.9	63.9	73.8	57.0
Trade payables turnover (days)	**72.6**	75.1	69.1	69.1	49.0
Return on equity (%)	**6.0**	6.6	10.3	9.8	7.4
Return on assets (%)	**1.9**	2.3	3.4	3.8	2.7
Current ratio (%)	**121.6**	126.4	126.1	127.0	145.1
Gearing ratio (%)*	**12.2**	14.5	9.2	5.2	18.0
Interest coverage (times)	**2.8**	11.9	12.9	13.5	3.0
Dividend payout ratio (%)	**30.0**	30.0	29.9	29.9	30.0

* Gearing ratio is represented by the ratio of total borrowings and payables under discounting arrangement to total assets.

Chairman's Statement

Dear Shareholders,

Despite the challenging macro-economic backdrop in 2012, TPV has continued to forge ahead towards realizing our vision of becoming a leader in the industry. The establishment of TP Vision, our joint venture ("JV") with Philips, was a leap forward and an integral part of our plan to extend global coverage and broaden our product spectrum, especially in the TV segment.

Soon after TP Vision's formation, we mapped out plans to streamline our R&D operations by making Ghent, Belgium, the future home of our European innovation headquarters, expanding the R&D unit in Bangalore, India, to enhance both the firmware and software capabilities, and shifting more engineering resources from Singapore to lower-cost centers in Taipei, Taiwan, and Xiamen, China.

In order to serve regional markets better, we commenced operations of two new plants in China, one in Beihai and the other in Qingdao, during 2012. Recognizing the cost benefits and importance of vertical integration, we are also doubling our LCD module assembly capacity this year. On the marketing front, we have identified the enormous growth potential of the Asia-Pacific region and will devote resources to ensure our long-term growth by building a stronger presence there.

All these initiatives, large and small, will incur costs that will inevitably have an impact on our short-term profitability. Nonetheless, these actions are important to the development of a sustainable and profitable business model to ensure our long-term growth.

TPV's business remained stable during 2012, despite the adverse operating environment. Our revenue grew by 8.5 percent year-on-year to US$12 billion and our gross profit margin rose from 6 percent to 7.5 percent, attributable to the consolidation of TP Vision's higher-margin TV business. In terms of shipment, our TV shipment, including semi-finished sets, reached 15.1 million units, an increase of 12.7 percent, while our monitor shipment, in tandem with the declining global demand, dropped to 56.2 million units but still represented a higher global market share of 37.3 percent.

The formation of TP Vision was a major milestone in the development in the Group's TV business. Besides extending our market reach all the way to the retail level, the JV also strengthened our position in the high-end TV market. We implemented a number of initiatives to increase TP Vision's competitiveness and efficiency. They included a restructuring of the organization and an initiative to build an optimized IT infrastructure that meets the business requirements. Additionally, we promote a corporate culture that aligns with our strategic goals. TP Vision's progress in these areas is right on track and enables it to maintain its position as one of the top three TV

Chairman's Statement

Change is inevitable, and it is the only constant in almost any industry.

brands in most of its targeted markets. For instance, in Russia, Philips TV commended a strong number 3 position with a 13 percent market share; in Brazil, it regained its number 3 position with a 11 percent market share; in both DACH (Germany, Austria and Switzerland) and Benelux (Belgium, the Netherlands and Luxembourg), Philips TV maintained its number 2 position with market shares of 14 percent and 23 percent respectively.

In the battlefield of Smart TVs, it becomes clear that success lies as much on hardware configuration as on software engineering. Within its first year of operation, TP Vision therefore formed a Smart TV Alliance with other TV brands. The aim of this alliance is to set standards and develop protocols on a common platform. As of January 2013, the Alliance's members had a combined share of approximately 43 percent of the global TV market.

In 2012, the Group's OBM TV business grew moderately in shipment from the increased sales in China and the launch of our AOC TV in India. Profit margins of our TV business improved, resulting from our decision to discontinue accepting low-margin ODM orders. In the coming year, we will seek to obtain more orders from the Chinese TV brands while continue to support our existing customers.

Recognizing the lucrative potential of the emerging markets, TPV will expand our distribution network in South and South East Asian markets such as India, Indonesia, Thailand and Vietnam, etc. We will establish a subsidiary to manage our TV sales channels in India, with a target of doubling our points of sales to more than 6,000 in 2013. In Indonesia, we have signed up a local assembler to assemble TVs for sale in the domestic market.

Change is inevitable, and it is the only constant in almost any industry. The fast always beat the slow, especially in the field of technology. We are aiming to improve the performance of our TV business by accelerating our product development cycle and time-to-market through tighter management of our end-to-end value chain. In addition, we will focus on building a more market-oriented R&D culture in which we will concentrate solely on producing the products that will offer the best returns and which hold the greatest promise of generating long-term revenue.

"Bigger is better" will undoubtedly remain the trend in the TV industry. We can expect to see a continued migration to larger screen sizes. Demand for higher resolution is another factor that will drive the industry's development. The forthcoming appearance of 4K2K TVs, which have twice the horizontal and

Chairman's Statement

vertical resolution of the 1080p HDTV format, as well as four times the total number of pixels, is going to be the industry's highlight in 2013.

While the popularity of mobile devices such as tablets and smartphones has affected sales of both PCs and monitors, the development of technologies like PCoIP (PC-over-IP), desktop virtualization and cloud storage are encouraging the use of standalone monitors, such as zero-client monitors, that can access a central server or the Internet. Moreover, demand is growing for monitors with more advanced features, due to the increasing popularity of digital devices that can effectively communicate with one another and share content via wireless networks without complicated settings. Responding to this trend, TPV will soon launch Smart monitors with built-in operating system, as well as Miracast–certified monitors that support wireless streaming across digital devices. Furthermore, burgeoning demand for more digital signage and interactive whiteboards will continue to offer substantial opportunities and TPV intends to increase its presence further in the public display sector.

In summary, I can foresee we will be facing a number of challenges in 2013, both within the industry and within the macro-business environment. But, "when the going gets tough, the tough gets going". I have every confidence the various initiatives TPV has taken and is currently taking will bear fruit in all the world's major markets once the economy improves.

Appreciation

On behalf of the Board of Directors, I would like to thank our resigned non-executive directors, Mr Junichi Kodama, Mr Robert Theodoor Smits, Mr Chen Yen-Sung, Mr Xu Haihe and Mr Tam Man Chi, for their valuable contributions over the years. I would also like to express my heartfelt appreciation to all our employees and business partners for their highly valued support in the past year.

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 21st March 2013

Management Discussion and Analysis

Industry Review

Last year's economic uncertainties made businesses and consumers reluctant to spend. The global demand for monitors was particularly weak, while sales of TVs failed to meet expectations. On the brighter side, panel prices were largely stable, providing the supply chain with a better operating environment.

Worldwide monitor shipments decreased by 11.3 percent year-on-year in 2012 to 150 million units (2011: 170 million units). While this decline was partly attributable to the sluggish economy, it was more to do with the increasing popularity of mobile computing devices, which dampened the demand for PCs, especially among consumers.

Global shipment of monitors declined in most regions last year. The Chinese market, which accounted for more than 30 percent of global monitor shipments, proved less dynamic than expected, falling by 6.6 percent, despite the rollout of government policies aimed at boosting domestic consumption. Meanwhile, sales in Latin America declined by 20.9 percent, partly due to Brazilian customers putting off purchases in anticipation of the government's incentive program for IT spending, which took effect in 2013. The only exception to the trend was Japan, where shipments rose by 2.6 percent during the year.

Global economic uncertainties also affected demand for LCD TVs in 2012. Total shipments dipped by 1 percent to 203 million units (2011: 205 million units). China remained the world's largest LCD TV market, posting a 9.6 percent increase in total shipments as demand was spurred by an incentive scheme for energy-saving consumer electronics. Emerging markets such as Latin America and Eastern Europe grew by 11.6 and 20.5 percent, respectively, offsetting the decline of 13.1 percent recorded in Western Europe.

LED backlighting has become a standard feature of both TVs and monitors. Around two-third of all monitors and TVs shipped in 2012 used LED backlights. On the other hand, the penetration rate of Smart TVs — defined as TVs that have the added capability to access the open Internet or the manufacturer's designated portal — rose to 28.6 percent in 2012 from about 20 percent the previous year, with the figures in Japan, Western Europe and China reaching 40 percent or higher.

Group Results

TPV reported consolidated revenue of US$12 billion for 2012, which was 8.5 percent higher than the US$11 billion achieved in 2011. This was mainly due to the consolidation of TP Vision into the Group from April 2012. The profit attributable to owners of the Company was US$111.9 million, a decline of 7 percent compared to previous financial year. This translated into basic earnings per share of US4.77 cents (2011: US5.13 cents). The gross profit ("GP") margin improved from 6 percent in 2011 to 7.5 percent in 2012.

During its first nine months of operations, TP Vision sold 5.8 million TV units and generated US$2.7 billion in revenue. The JV was able to retain top positions in its major markets in Europe, and its business grew satisfactorily in the fast-growing emerging markets of Eastern and Central Europe, Argentina and Brazil. In particular, sales revenue in Russia and Turkey achieved impressive growth of over 200 percent and 100 percent, respectively.

Management Discussion and Analysis

The weakening momentum of the monitor market resulted in the Group's monitor shipments, including the semi-finished sets, suffering a 6.3 percent drop to 56.2 million units. Even so, we maintained our leading position, and our market share rose to 37.3 percent, compared to 35.4 percent in 2011. The GP margin fell from 7 percent a year ago to 6.5 percent, while the average selling price ("ASP") remained stable at US$102.1, compared to US$102.8 last year. Decreased shipments and revenue drove the segment's revenue down by 5.7 percent to US$5.7 billion, compared to US$6.1 billion in 2011, and it accounted for 47.9 percent of the Group's total revenue.

The Group's LCD TV shipments, including semi-finished sets, increased by 12.7 percent to 15.1 million units, as TP Vision extended our global coverage. Most notably, our increasing TV sales in South America boosted our total shipments to the region by 46.8 percent. Meanwhile, the Group's TV shipments to China also rose by more than 60 percent, due to an increase in ODM orders from Chinese brands, as well as improved sales of Philips TVs. The GP margin rose significantly in 2012, from 5 percent to 9.6 percent, and the GP per set leapt from US$14.6 to US$34.1. The ASP was US$353.2, compared to US$292.6 the previous year. Due to the increased shipments and ASP, the segmental revenue of the TV business rose from US$3.7 billion to US$5 billion, accounting for 41.8 percent of our total revenue.

Geographically, Europe has become TPV's biggest market, accounting for 30.1 percent of the Group's total revenue (2011: 26.2 percent). China was the second-largest revenue contributor, accounting for 28.6 percent (2011: 29.3 percent). Revenue from North America accounted for 16.4 percent (2011: 17.7 percent) of our income. This was followed by South America and the rest of the world, whose contributions represented 11.9 percent (2011: 10.4 percent) and 13 percent (2011: 16.4 percent) of the Group's revenue, respectively.

Production

At the end of 2012, the Group had 12 manufacturing bases around the world, with a combined annual production capacity of 82 million monitor units and 40.3 million TV units.

Our new manufacturing sites in Qingdao and Beihai in the PRC became operational during the year, with initial production capacities of 1.5 million monitor units and 1.1 million TV units in Qingdao, and 4.5 million monitor units in Beihai a year. Trial production runs also began at our new plant in Beijing, which is expected to become fully operational in the second quarter of 2013. The strategic locations of these plants will increase the Group's capability to serve their surrounding regions. Meanwhile, construction of the Group's own brand business headquarters in Shanghai is underway, and is slated for completion in 2014.

Management Discussion and Analysis

Research and Development

We made major strides in strengthening our R&D capabilities in 2012. The most-recent initiatives in this area included the integration of the R&D teams in Belgium, India, the Netherlands and Singapore under the TP Vision umbrella. The Group employed 4,163 engineers worldwide at the end of last year.

TPV also launched more than 450 new monitor models and 900 new TV models during the period under review. The innovative and aesthetically pleasing designs of our products earned us a number of important industry awards. The AOC 57 Series of low-power LED monitors that utilize In-Plane Switching technology to ensure constant picture quality at an extended range of viewing angles won an iF design award. Meanwhile, the European Imaging and Sound Association bestowed EISA awards on two Smart LED TVs from the Philips 9000 series. Their award-winning features included Micro Dimming Premium and Bright Pro, which further boost picture contrast and brightness, and the Moth's Eye Filter, which creates an anti-reflective screen surface.

We also stayed abreast of the latest technology trends by developing a number of other new products. These include a standalone smart monitor with a built-in operating system, an ultra-HD 4K2K display for both monitors and TVs, and displays equipped with WiGig and Miracast technologies to allow for the speedy delivery of compressed standard or HD video from computers or other portable devices to any compatible display device over a wireless or wired network. Also in the pipeline are glasses-free 3D TVs, Wide Color Gamut TVs with enhanced color vividness, and Smart TVs with advanced voice/gesture remote control.

Workforce

As at 31st December 2012, the Group had 33,739 employees worldwide (2011: 29,516), including 3,138 employees from TP Vision. We have positioned ourselves to attract and retain talented people from different cultural backgrounds and provide our increasingly diversified workforce with a fair and inclusive working environment. At the same time, we will continue to enhance TPV's long-term competitiveness by building on the capabilities of our employees. To this end, we will maintain our policy of providing employees with regular training and encourage them to engage in lifelong learning.

Outlook

Countries and regions around the world are currently facing a host of different economic challenges. These make the outlook for the TV and monitor industries highly uncertain. DisplaySearch forecasts that global monitor shipments to fall by 1.1 percent year-on-year to 149 million units in 2013. At the same time, TV shipments will grow by 4.8 percent year-on-year to 213 million units, with developing markets remaining the growth engine for sales.

Management Discussion and Analysis

Monitors will continue to evolve gradually into standalone multifunction devices. We will therefore launch products with advanced features that enable cloud connectivity and built-in operating systems, such as Smart monitors this year. We are also expanding into the public display market, where growth has been strongly driven by the increasing need for digital signage and interactive whiteboards.

The burgeoning demand for connectivity is making Smart TV increasingly popular among consumers. The continuous incorporation of new content, the latest applications and interactive features into Smart TV — including greater compatibility with other electronic devices — may well make it the focal point of the market in 2013. We expect increased collaboration between TV content providers, software developers and TV makers, with a view to enhancing the scope of available content, applications and functionality. For this reason, we will continue to invest in our innovation development, and we will expand our R&D team in Bangalore, India.

Our shipments in the fourth quarter were lower than planned. Therefore, we needed to bring down our inventories to make room for the launch of 2013 models starting from March. While this inventory adjustment would have an adverse effect on our profitability in the first quarter, we anticipate the new product launch will bring improvements to our margins in the coming months. Despite the challenges we currently face, TPV has laid strong foundations for its future growth. Our market leadership, manufacturing expertise and innovative strength would help to ensure our ability to cope with the changing technological landscape and operating environment.

Recent development

TP Vision, a TV JV between TPV and Philips, commenced its operation in April 2012. Details of the acquisition are set out in Note 41(a) to the consolidated financial statements.

Contingent Liabilities

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

Management Discussion and Analysis

Liquidity, Financial Resources and Capital Structure

As of 31st December 2012, the Group's cash and bank balances (including pledged bank deposits) totaled US$501.7 million (31st December 2011: US$310.5 million). Credit facilities secured from banks totaled US$4.4 billion (31st December 2011: US$3.9 billion), of which US$1.5 billion was utilized (31st December 2011: US$1.3 billion).

All the Group's debts were borrowed on a floating-rate basis, except a 3-year RMB Bond the Group issued back in 2011 at a fixed coupon rate of 4.25 percent per annum. The maturity profile of the Group's debts, as of 31st December 2012, was as follows:

Duration	2012 US$'000	2011 US$'000
Within one year	**142,867**	362,000
Between two and five years	**279,485**	78,163
Wholly repayable within five years	**422,352**	440,163

The Group's inventory turnover days stood at a healthy 40.6 days (2011: 40.7 days) at the end of December 2012. Our trade receivables turnover days decreased from 75.9 days in 2011 to 71.9 days in 2012, while our trade payables turnover days also came down from 75.1 days to 72.6 days.

The Group's gearing ratio, represented by the ratio of total borrowings and payables under discounting arrangement to total assets, decreased to 12.2 percent (2011: 14.5 percent); whereas our current ratio stood at 121.6 percent at the end of 2012 (2011: 126.4 percent).

Foreign Exchange Risk

Details of foreign exchange risk was discussed in Note 3.1(a)(i) and Note 35(a) to the consolidated financial statements.

Growth Strategies

TPV has been regarded as a leading ODM manufacturer in the LCD industry for its design capability, quality products and cost competitiveness. We have established strong ties with our ODM clients, which include many top-tier brands, over years of reliable supply relationship. It has also been the result of considerable production expertise and capabilities we have built up, which in turn have given us the advantages of economy of scale. Leveraging on these strengths, we have built and established a solid footing for our own brand business as well.

The outsourcing trend is set to continue in our industry, because TV and monitor businesses require an ever-wider range of advanced engineering and manufacturing services in order to reduce their costs and accelerate the time-to-market. We will therefore continue to build our ODM business and diversify our client base.

On the other hand, we will devote more resources to our OBM business. Our AOC monitor brand is already among the top sellers in emerging markets, whereas revenue from our Philips TVs is also increasing. We aim to expand our OBM business further, to the point where it contributes about one-third of our total revenue.

Product Strategy

TPV has always believed that innovation is crucial to our success in the technological field. While the growing popularity of mobile computing devices has adversely affected sales in the monitor market, we will stay competitive by coming up with new products that offer various forms of connectivity, such as access to cloud platforms, as well as built-in operating systems. We will also increase our presence in the public display market, which has been driven by growing demand for digital signage and interactive whiteboards in offices and schools.

To increase our share in the expanding TV market, TPV will incorporate more cutting-edge features into its products, and will further enhance its Smart and ultra-high-definition TVs. Moreover, we will speed up our time-to-market and product development cycle in order to increase the profitability of all our TV products. We will also continue to leverage on our existing capabilities and further expand our R&D teams in India, China and Taiwan for firmware and software developments.

Marketing Strategy

We are taking a number of initiatives to expand our coverage of the fast-growing emerging markets in China, the Asia-Pacific region, Eastern Europe and South America, which currently account for over half of our revenue. We are establishing a subsidiary in India to increase our presence there, and we are contracting a local assembler to produce and sell AOC products in the Indonesian market. We will substantially broaden our product range to cater for both the high-end and mid-to-low-end markets, and establish different product lines to meet the needs of regional markets.

Manufacturing Strategy

Currently TPV has 12 manufacturing bases worldwide serving major markets. As panel sizes get bigger, it is important for us to move closer to our component suppliers in order to save transportation costs and reduce expenses. For instance, our new production base in Beijing, which will launch production in the second quarter of 2013, will be close to one of our panel suppliers. We will continue to review our manufacturing footprint regularly to respond swiftly to the ever-changing needs of the end-markets.

Report of the Directors

The directors submit their annual report together with the audited consolidated financial statements for the year ended 31st December 2012.

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 operating 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 48.

PROPOSED FINAL DIVIDEND

The directors had declared an interim dividend of US0.46 cent per ordinary share, totaling approximately US$10,789,000 which was paid on 12th October 2012.

The directors recommend the payment of a final dividend of US0.97 cent per ordinary share, totaling approximately US$22,753,000 for the year ended 31st December 2012.

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, 30th May 2013.

The dividend cheques will be distributed to shareholders on or about Friday, 7th June 2013.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Thursday, 30th May 2013 to Friday, 31st May 2013, 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, 29th May 2013 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, 29th May 2013 (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.

Report of the Directors

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$286,000.

PENSION

Details of the pension are set out in Note 32 to the consolidated financial statements.

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.

(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.

Report of the Directors

SHARE OPTION (Continued)

(3) Maximum entitlement of each participant (Continued)

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

(4) Payment on acceptance of options

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

(5) Time of exercise of options

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

(6) Basis of determining the subscription price

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

(7) Remaining life of the New Scheme

The New Scheme is valid until 14th May 2013.

During the year ended 31st December 2012, no share options have been granted or cancelled.

Report of the Directors

SHARE OPTION (Continued)

Particulars of outstanding options under the New Scheme at the beginning and at the end of the year ended 31st December 2012 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 2012	Exercised	Expired	Lapsed	As at 31st December 2012
Directors								
Dr Hsuan, Jason	18/01/2011	5.008 (Note 2)	18/01/2012–17/01/2021	150,000	—	—	—	150,000
			18/01/2013–17/01/2021	150,000	—	—	—	150,000
			18/01/2014–17/01/2021	150,000	—	—	—	150,000
			18/01/2015–17/01/2021	150,000	—	—	—	150,000
Mr Chan Boon Teong	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	80,000	—	(80,000)	—	—
			12/12/2009–11/12/2012	120,000	—	(120,000)	—	—
			12/12/2010–11/12/2012	200,000	—	(200,000)	—	—
Dr Ku Chia-Tai	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	60,000	—	(60,000)	—	—
			12/12/2009–11/12/2012	90,000	—	(90,000)	—	—
			12/12/2010–11/12/2012	150,000	—	(150,000)	—	—
Mr Wong Chi Keung	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	60,000	—	(60,000)	—	—
			12/12/2009–11/12/2012	90,000	—	(90,000)	—	—
			12/12/2010–11/12/2012	150,000	—	(150,000)	—	—
Employees	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	3,827,605	—	(3,827,605)	—	—
			12/12/2009–11/12/2012	5,741,408	—	(5,741,408)	—	—
			12/12/2010–11/12/2012	9,569,013	—	(9,569,013)	—	—
	18/01/2011	5.008 (Note 2)	18/01/2012–17/01/2021	10,870,000	—	—	(1,000,000)	9,870,000
			18/01/2013–17/01/2021	10,870,000	—	—	(1,000,000)	9,870,000
			18/01/2014–17/01/2021	10,870,000	—	—	(1,000,000)	9,870,000
			18/01/2015–17/01/2021	10,870,000	—	—	(1,000,000)	9,870,000
				64,218,026	—	(20,138,026)	(4,000,000)	40,080,000

Notes:

(1) These options are exercisable at HK$5.75 (US$0.73) per share in three tranches: the maximum percentage of share options exercisable within the periods commencing from 12th December 2008 to 11th December 2012, from 12th December 2009 to 11th December 2012 and from 12th December 2010 to 11th December 2012 are 20 percent, 50 percent and 100 percent respectively. The exercisable period of these options expired on 11th December 2012.

(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 from 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 2012, including contributed surplus, amounted to approximately US$123,320,000.

Report of the Directors

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 151.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

DIRECTORS

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

Executive Directors

Dr Hsuan, Jason (Note 1)

Non-executive Directors

Mr Liu Liehong	
Mr Lu Ming	
Ms Wu Qun	
Mr Du Heping	
Mr Jun Nakagome	(appointed on 1st April 2012)
Mr Xu Haihe	(resigned on 29th November 2012)
Mr Tam Man Chi	(resigned on 29th November 2012)
Mr Chen Yen-Sung	(resigned on 22nd August 2012)
Mr Robert Theodoor Smits	(resigned on 11th May 2012)
Mr Junichi Kodama	(resigned on 1st April 2012)

Independent Non-executive Directors

Mr Chan Boon Teong (Notes 1 and 3)
Dr Ku Chia-Tai (Notes 1 and 3)
Mr Wong Chi Keung (Note 3)

Notes:

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

(2) 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 confirmations 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.

Report of the Directors

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: 69)

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, investment committee and information disclosure committee and a member of remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Dr Hsuan is responsible for the overall corporate policies and business development of the Group. Before joining the Company, he had over 20 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 is also a non-executive director of Nanjing Panda Electronics Company Limited (a company listed on the Exchange and Shanghai Stock Exchange), chairman of Standard Investment (China) Limited, Shanghai Standard Food Co. and Standard Food (China) Limited, director of Standard Foods Corporation (a company listed on the Taiwan Stock Exchange) and an independent director of Array inc. (a company listed on the GreTai Securities Market). 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: 44)

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 Company Limited (a company listed on the Exchange) and the director and general manager of China Electronics Corporation ("CEC"), which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr Liu previously served as the chairman of the board of China Electronics Industry Corporation and CEC Corecast Company Limited (a company listed on Shanghai Stock Exchange), 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 director of the Second Research and 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr Lu Ming
Non-executive Director (Age: 63)

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 30 years of information technology experience. He is one of the founders and director of China Great Wall Computer Group Company, an executive director and a member of nomination and remuneration committee of Great Wall Technology Company Limited ("GWT") (a company listed on the Exchange), which are substantial shareholders of the Company within the meaning of Part XV of the SFO. He is also a director of Shenzhen Kaifa Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange) and outside director of China Telecommunications Corporation. Previously, he has been the vice president of CEC, the vice president, president and chairman of the board of GWT and the vice chairman of China Great Wall Computer Shenzhen Co., Ltd. ("CGCSZ") (a company listed on Shenzhen Stock Exchange), which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr Lu was appointed as a non-executive director of the Company in December 2007. He is also a member of the remuneration committee and investment committee of the Company.

Ms Wu Qun
Non-executive Director (Age: 53)

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 chief corporate economist of CEC and the general manger of CEC's asset management department, a substantial shareholder of the Company within the meaning of Part XV of the SFO. She is also 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Mr Du Heping
Non-executive Director (Age: 58)

Mr Du, a graduate of Party School of the Central Committee of Communist Party of China, postgraduate education, 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 GWT (a company listed on the Exchange), a substantial shareholder of the Company within the meaning of Part XV of the SFO, the vice chairman and the secretary of the Communist Party of Shenzhen Kaifa Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange). He is also the vice chairman of China Electronics Enterprises Association, the executive director of China Computer Industry Association, the chairman of Shenzhen Electronic Information Industry Association, the chairman of Shenzhen Computer Industry Association, the vice chairman of Shenzhen Municipal Science and Technology Association, the vice chairman of Shenzhen Computer Society and the chairman of the Association of Volunteers for Science Popularization in Shenzhen. Previously, he has been the chairman and the secretary of the Communist Party, the vice president and the secretary to the board of directors, the deputy general manager of CGCSZ (a company listed on Shenzhen Stock Exchange), a substantial shareholder of the Company within the meaning of Part XV of the SFO, 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. He is also a member of information disclosure committee of the Company.

Mr Jun Nakagome
Non-executive Director (Age: 55)

Mr Nakagome graduated from Sophia (Jochi) University with major in Economics. He has over 20 years of experience in general merchandizing industry as well as extensive experience in electronic and display industry. Mr Nakagome joined Mitsui & Co., Ltd. ("Mitsui") in 1981, one of the biggest trading firms in Japan (a company listed on the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange, Sapporo Securities Exchange, Fukuoka Stock Exchange and US Stock Exchange through American Depositary Receipts). Currently, Mr Nakagome is the general manager of Internet Devices & Services Division I in IT Business Unit of Mitsui, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is also a director in each of J-S Cube Inc., a subsidiary of Mitsui and Moshi Moshi Hotline, Inc., an affiliated company of Mitsui (a company listed on the Tokyo Stock Exchange). Mr Nakagome was appointed as a non-executive director of the Company in April 2012. He is also a member of investment committee and information disclosure committee of the Company.

Mr Chan Boon Teong
Independent Non-executive Director (Age: 70)

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 40 years of experience in the financial, commercial, industrial and real estate business in the Southeast Asia region. Currently, Mr Chan is the honorary chairman and a senior consultant of Coastal Greenland Limited (a company listed on the Exchange) (appointed on 31st December 2012), director of Cathay United Bank Co. Ltd., a subsidiary of a listed company in Taiwan. He is also a member of the Standing Committee of the All-China Federation of Returned Overseas Chinese. Previously, he was the chairman and an executive director of Coastal Greenland Limited (resigned on 31st December 2012), director of the former Kowloon Stock Exchange and Committee member of the 9th, 10th and 11th Plenary Sessions of the Chinese People's Political Consultative Conference from March 1998 to February 2013. Mr Chan was appointed as an independent non-executive director of the Company in May 1998. He is also the chairman of audit committee and remuneration committee and a member of nomination committee, investment committee and information disclosure committee of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Directors (Continued)

Dr Ku Chia-Tai
Independent Non-executive Director (Age: 70)

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 previously 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 May 1998. He is also a member of audit committee, nomination committee and remuneration committee of the Company.

Mr Wong Chi Keung
Independent Non-executive Director (Age: 58)

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 SFO of Hong Kong.

Mr Wong has over 35 years of experience in finance, accounting and management. He is currently 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, First Natural Foods Holdings Limited, Golden Eagle Retail Group Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, Ngai Lik Industrial Holdings Limited and Zhuguang Holdings Group Company Limited, all of these companies are listed on the Exchange. Mr Wong was previously 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 and an independent non-executive director of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators appointed) (resigned on 24th June 2011). Mr Wong was appointed as an independent non-executive director of the Company in August 2004. He is also a member of audit committee, nomination committee, remuneration committee and an alternate member to Mr Chan Boon Teong of information disclosure committee of the Company.

Senior Management

Mr Houng Yu-Te
Senior Vice President (Age: 66)

Mr Houng, joined the Group in 1996, is responsible for the 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 28 years in charge of accounting and finance operations.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management (Continued)

Mr Shane Tyau
Vice President and Chief Financial Officer (Age: 56)

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 Tyau is also a member of information disclosure committee of the Company.

Mr Hsieh Chi-Tsung
Senior Vice President (Age: 61)

Mr Hsieh, is in charge of the Original Design Manufacturer 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 well-known monitor manufacturers in Taiwan.

Mr Lu Being-Chang
Senior Vice President (Age: 65)

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: 62)

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: 52)

Mr Tseng, joined the Group in 2005, is in charge of sales operation of the Group. He graduated from University of Florida, U.S.A. with a Master's degree in Industrial Engineering. Prior to joining the Group, he worked for Koninklijke Philips Electronics N.V. ("Philips") for 13 years and was in charge of Original Equipment Manufacturer sales.

Dr Chen Nai-Yung
Vice President and Chief Information Officer (Age: 62)

Dr Chen, joined the Group in 2008, is in charge of the information technology and human resources 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 company listed on the Exchange). Dr Chen is the brother-in-law of Dr Hsuan, Jason, the chairman and chief executive officer of the Group.

Report of the Directors

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 companies 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' AND CHIEF EXECUTIVES' INTERESTS

As at 31st December 2012, 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 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 and in the paragraph headed "Share Options", as at 31st December 2012, none of the directors and chief executive 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, its subsidiaries, its fellow subsidiaries or its holding companies, 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 2012, 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2012, so far as was known to the directors or chief executives of the Company, the following persons (not being a director or chief executive of the Company) had an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Interest in ordinary shares of US$0.01 each of the Company

Name of shareholder	**Number of shares held (long position)**
CEC	822,408,647 (Notes 1, 2)
China Great Wall Computer Group Company	570,450,000 (Notes 1, 2)
GWT	570,450,000 (Notes 1, 2)
CGCSZ	570,450,000 (Notes 1, 2)
China Great Wall Computer (H.K.) Holding Limited ("CGCHK")	370,450,000 (Notes 1, 2)
China National Electronics Imp. & Exp. Corporation	251,958,647 (Notes 1, 2)
CEIEC (H.K.) Limited ("CEIEC HK")	251,958,647 (Notes 1, 2)
Mitsui & Co., Ltd. ("Mitsui")	473,482,590 (Note 2)
Innolux Corporation ("Innolux") (formerly known as "Chimei Innolux Corporation")	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 indirect wholly-owned subsidiary of CEC.

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

(3) These Shares are held by Innolux. Innolux 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.

Report of the Directors

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of sales for the year attributable to the Group's major customers are as follows:

Sales

–	the largest customer	11.3%
–	five largest customers combined	29.3%

The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases

–	the largest supplier	9.7%
–	five largest suppliers combined	32.8%

Innolux 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.

Report of the Directors

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.

(1) Transaction with 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 2012 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$16,354,000	US$1,980,000,000
(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$4,395,000	US$2,021,000,000

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

(2) Transaction with 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 2012 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	the sales to the CGCSZ Group by the Group for the supply and delivery of Products (as defined in the July 2010 Circular) under the Supply Agreement	US$12,940,000	US$247,000,000

(3) Transaction with Nanjing CEC Panda LCD Technology Co., Ltd. and its subsidiaries (the "Panda LCD Group")

The following transactions between the Group and the Panda LCD Group (a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) 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 Procurement Agreement (details of which are contained in the Circular to shareholders dated 22nd June 2012 (the "June 2012 Circular")).

At the special general meeting of shareholders held on 17th July 2012, 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 2012 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The procurement of the Products (as defined in the June 2012 Circular) by the Group from Panda LCD Group under the Procurement Agreement	US$70,513,000	US$241,573,000

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

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

Upon the completion of the acquisition of Philips' TV business in Europe and certain South America countries through a JV with Philips on 1st April 2012, Philips has become a substantial shareholder of the JV. Accordingly, the following transactions between the Group and the Philips Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the agreements as shown below:

(a) At the special general meeting of shareholders held on 25th November 2009, the independent shareholders approved the following 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 2012 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The sales to the Philips Group by the Group for the supply and delivery of Products (as defined in the Company's circular dated 23rd October 2009) under the Supply Agreement	US$78,903,000	US$2,030,000,000

(b) At the special general meeting of shareholders held on 6th March 2009, the independent shareholders approved the following 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 2012 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The trademark fee paid to Philips Group under the Trademark License Agreement dated 9th February 2009 (as defined in the Circular dated 17th February 2009)	US$6,446,000	US$9,000,000

(c) Reference is made to the announcement of the Company dated 29th September 2010, the transactions contemplated under the Trademark License Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the connected transactions for the year ended 31st December 2012 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The trademark fee paid to Philips Group under the Trademark License Agreement dated 29th September 2010	US$6,958,000	Nil

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

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

(d) At the special general meeting of shareholders held on 22nd February 2012, the independent shareholders approved the following 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 2012 are as follows:

		Transaction amounts of the continuing connected transactions	Annual caps
(i)	The trademark license fee payable to Philips Group under the Trademark License Agreement (5 years contracts) (as defined in the circular dated 23rd December 2011)	Nil	Nil
(ii)	The trademark license fee payable to Philips Group under the Secondary Trademark License Agreement (5 years contracts) (as defined in the circular dated 23rd December 2011)	Nil	EUR1,100,000
(iii)	The receipt of Cost of Organization (COO) needed to manage the future CONSUMER CARE for products sold in the past, including possible work for back charging to suppliers paid by Philips (as defined in the circular dated 23rd December 2011)	EUR4,400,001	EUR6,000,000
(iv)	The receipt of rebate of 70% of the 3D patent royalty based on the intellectual property agreement (as defined in the circular dated 23rd December 2011)	Nil	EUR262,500
(v)	The service fees paid to Philips Group for the services provided by Philips include, but not limited to, innovation and design, finance, HR, distribution, sales and marketing, warehousing, purchase, customer care and real estate under the Transitional Services Agreement (as defined in the circular dated 23rd December 2011)	EUR10,572,734	EUR24,610,000
(vi)	The service fee paid to Philips Group for the IT services provided by Philips under the IT Transitional Service Level Agreement (as defined in the circular dated 23rd December 2011)	EUR12,987,468	EUR24,000,000
(vii)	The purchase of remote controls (as defined in the Company's circular dated 23rd December 2011) by the Group from the Philips Electronics Singapore Pte Ltd under the Remote Control Sale Agreement	Nil	EUR2,750,000

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

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

(d) (Continued)

		Transaction amounts of the continuing connected transactions	Annual caps
(viii)	The license fee payable to Philips Group related to the access of the NET TV portal, the Smart TV dashboard and to the websites of content service providers under the NET TV License and Services Agreement (as defined in the Company's circular dated 23rd December 2011)	EUR1,050,000	EUR2,400,000
(ix)	The sales to the Philips My Shop by TP Vision Netherlands B.V. for the finished goods under the Online Shop and My Shop Agreement (as defined in the Company's circular dated 23rd December 2011)	EUR3,455,493	EUR7,260,000
(x)	The sales to the Philips employee shops by respective TP Vision sales organizations (Total: 7) for the finished goods under the Employee Shop Agreements (as defined in the Company's circular dated 23rd December 2011)	EUR2,511,183	EUR5,280,000
(xi)	The receipt related to the lease by TP Vision Industria Electronica Ltda of a property of 8,600 sq metres at Manaus to Philips Brazil (as defined in the Company's circular dated 23rd December 2011)	EUR431,438	EUR1,970,000
(xii)	The receipt related to the lease by TP Vision Industria Electronica Ltda of a property in Brazil with Dixtal (as defined in the Company's circular dated 23rd December 2011)	EUR96,728	EUR304,000
(xiii)	The receipt related to (a) the lease by TP Vision Hungary Ltd of a factory building located at Hungary and (b) the provision of services such as production and warehousing service, supply chain management, HR management and finance and controlling, etc. to Philips Hungary (as defined in the Company's circular dated 23rd December 2011) Note: this agreement expired on 31st March 2012	Nil	EUR1,040,000
(xiv)	The receipt related to TP Vision Hungary Ltd provide Philips Hungary various services in relation to tax audits (as defined in the Company's circular dated 23rd December 2011)	EUR13,610	EUR100,000

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

(5) Argentina Non-TV Transactions

There are two types of continuing transactions between Argentina JV and Philips relating to the non-TV business unit of Argentina JV ("Argentina Non-TV Transactions"), the details of which are set out below:

(i) a trademark license agreement between Argentina JV and Philips, pursuant to which Philips will grant Argentina JV the right to use certain trademarks relating to the non-TV products in Argentina. There is no payment obligation under such trademark license agreement; and

(ii) the provision of certain general corporate services, component purchase for non-TV products, sale of non-TV products and purchase of fixed assets for the production of non-TV products between Argentina JV and Philips. The provision of general corporate services comprises shared business services in relation to finance and accounting, sourcing and purchasing services, information systems support services, real estate and facility management services, general management services such as in-house legal services, corporate communications, public relations management and treasury services (such as payroll administration).

Philips has confirmed to the Company that the Argentina Non-TV Transactions are on normal commercial terms.

As disclosed in our circular of 23rd December 2011, on the basis that the economics and results of the non-TV business unit of Argentina JV are for the account of Philips Argentina (and not TP Vision), and that it would be impractical and unduly burdensome for the Company to monitor the continuing transactions between Philips and Argentina JV relating to the non-TV business unit of Argentina JV, the Company has applied to the Exchange for a waiver from compliance with the requirements of Chapter 14A in relation to the Argentina Non-TV Transactions. A waiver from compliance with the requirements of Chapter 14A in relation to the Argentina Non-TV Transactions was granted by the Exchange on 13th December 2011.

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 2012 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 disclosed in notes (1) to (4) set out on pages 26–30:

(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.

Report of the Directors

CONNECTED TRANSACTIONS (Continued)

(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 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.

AUDITOR

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 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Exchange made several amendments and has renamed the Code on Corporate Governance Practices (the "Old Code") set out in Appendix 14 of the Listing Rules as the Corporate Governance Code (the "CG Code"), effective from 1st April 2012.

During the financial year of 2012, the Company has complied with all the code provisions of the Old Code for the period from 1st January 2012 to 31st March 2012 and the CG Code for the period from 1st April 2012 to 31st December 2012, except for deviations from code provisions A.2.1, A.4.1 and A.6.7 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 functions for managing the Group's day-to-day business to its management. In addition, the Board has delegated various functions 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 2012. The attendance of individual directors at these meetings is as follows:

Name of director	**Attendances/Number of Board meetings held during the director's term of office in 2012**
Executive Director	
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	7/7
Non-executive Directors	
Mr Liu Liehong	3/7
Mr Lu Ming	7/7
Ms Wu Qun	7/7
Mr Du Heping	7/7
Mr Jun Nakagome (appointed on 1st April 2012)	5/5
Mr Xu Haihe (resigned on 29th November 2012)	4/7
Mr Tam Man Chi (resigned on 29th November 2012)	6/7
Mr Chen Yen-Sung (resigned on 22nd August 2012)	2/5
Mr Robert Theodoor Smits (resigned on 11th May 2012) (Note)	0/3
Mr Junichi Kodama (resigned on 1st April 2012)	2/2
Independent Non-executive Directors	
Mr Chan Boon Teong	7/7
Dr Ku Chia-Tai	7/7
Mr Wong Chi Keung	7/7

Note: Mr Smits abstained from attending one board meeting to avoid possible conflicts of interest.

Corporate Governance Report

THE BOARD (Continued)

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

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

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

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be 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 Nomination 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), five non-executive directors, namely Mr Liu Liehong, Mr Lu Ming, Ms Wu Qun, Mr Du Heping, and Mr Jun Nakagome and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung. Independent non-executive directors constitute one-third of the Board and non-executive directors constitute more than half of the board.

Corporate Governance Report

BOARD COMPOSITION (Continued)

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

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. Apart from attending the schedule meetings which were fixed before the beginning of 2012, all Directors used their best endeavours to attend ad-hoc meetings, even on short notice, or participate by audio and video link.

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.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code.

During the year, the independent directors, as delegated by the Board, organized corporate governance review of the Group by external independent professions and arranged training sessions in this regard.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed director is enabled to have a proper understanding of the operations and businesses of the Group and full awareness of his or her responsibilities and ongoing obligation under the Listing Rules, applicable legal requirements, and other regulatory requirements, as well as the Company's corporate governance policies. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company has organized a seminar conducted by legal advisers for the Board of Directors. The seminar covered topics including notifiable transactions, price sensitive information, connected transactions, the CG Code and other Listing Rules amendments. The Company has also arranged a site visit in Brazil in October 2012 for the directors to understand our operations in new markets.

Corporate Governance Report

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME (Continued)

According to the records provided by the directors, a summary of training received by the directors since 1st April 2012 up to 31st December 2012 is as follows:

	Type of continuous professional development programmes		
Name of director	**Attending Seminar**	**Site visit in Brazil**	**Reading materials relevant to the director's duties & responsibilities**
Executive Director			
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*		√	√
Non-executive Directors			
Mr Liu Liehong	√	√	√
Mr Lu Ming	√	√	√
Ms Wu Qun	√	√	√
Mr Du Heping	√	√	√
Mr Jun Nakagome (appointed on 1st April 2012)		√	√
Mr Xu Haihe (resigned on 29th November 2012)	√	√	
Mr Tam Man Chi (resigned on 29th November 2012)			√
Mr Chen Yen-Sung (resigned on 22nd August 2012)		—	√
Mr Robert Theodoor Smits (resigned on 11th May 2012)	—	—	√
Mr Junichi Kodama (resigned on 1st April 2012)	—	—	√
Independent Non-executive Directors			
Mr Chan Boon Teong	√	√	√
Dr Ku Chia-Tai	√		√
Mr Wong Chi Keung	√	√	√

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 2012.

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.

Corporate Governance Report

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.

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.

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.

During the year, directors are provided with monthly updates on the Company's performance, position and prospects to enable the board as a whole and each director to discharge their duties.

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 46 to 47.

BOARD COMMITTEES

The board has appointed a number of committees including the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Information Disclosure Committee, to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Corporate Governance Report

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. The terms of reference of the Audit Committee adopted by the Board are published on the websites of the Company, the Exchange and Singapore Exchange Ltd. ("SGX").

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. Mr Wong Chi Keung 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. The Committee held four meetings in 2012. The attendance of its individual members at these meetings is as follows:

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

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

— Meeting with external auditors three times to discuss the scope and findings of their audit and review;

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

— Reviewing and recommending the annual financial statements for the year ended 31st December 2012;

— Reviewing and recommending the interim financial statements for the six months ended 30th June 2012;

— Reviewing and recommending the quarterly results;

— Reviewing the accounting policies adopted by the Group;

— Reviewing the financial statements of TP Vision Holding B.V. ("TP Vision") and its subsidiaries (collectively "TP Vision Group");

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

— 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 approving the internal audit plan for 2013;

— Reviewing and recommending the appointment of external auditors as well as assessing their independence;

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

— Monitoring any possible areas of fraud and illegal risk; and

Corporate Governance Report

AUDIT COMMITTEE (Continued)

— Reviewing, investigating and taking appropriate follow-up actions of the reports and concerns raised by employees through the whistle-blowing system.

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 audit and review. 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 2013. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 23rd May 2013.

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

AUDITORS' REMUNERATION

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

Services rendered	**Fee paid/payable US$'000**
Audit service	3,939
Non-audit services	
— Financial due diligence for acquisitions	1,269
— Tax compliance	500
— Tax consulting	192
— Others	40
	5,900

Auditors' remuneration disclosed in note 8 to the financial statements include the amounts payable to Messers PricewaterhouseCoopers and other subsidiaries' auditors.

NOMINATION COMMITTEE

On 21st March 2012, the Company has established a nomination committee with specific written terms of reference that are in line with the relevant provisions of the CG Code. The terms of reference of the Nomination Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

The appointment and removal of directors should be reviewed by the nomination committee and then approved by the Board. Also, all the new directors are subject to election by the shareholders at the next annual general meeting, pursuant to bye-law 102(B) of the Bye-laws of the Company.

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 and succession planning for the Directors.

Corporate Governance Report

NOMINATION COMMITTEE (Continued)

It is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company, 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.

The Nomination Committee shall meet as and when required, but in any event at least once per year. The Nomination Committee has the right to seek any independent professional advice, where necessary, at the Company's expense, to perform its responsibilities.

The Nomination Committee held two meetings during 2012. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Nomination Committee)*	2/2
Ms Wu Qun	2/2
Mr Chan Boon Teong	2/2
Dr Ku Chia-Tai	2/2
Mr Wong Chi Keung	2/2

During the year, the Nomination Committee has reviewed the current structure and composition of the Board and recommended changes in directors.

Subsequent to the financial year end 31st December 2012 and up to the date of this report, a meeting of Nomination Committee was held on 21st March 2013 to assess the independence of Independent Non-Executive Director and review the re-appointment of Dr Hsuan, Mr Chan and Dr Ku as directors of the Company at the Annual General Meeting.

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 terms of reference of the Remuneration Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

The Remuneration Committee determines, with delegated responsibility, the remuneration packages of individual executive director and senior management.

It is chaired by Mr Chan Boon Teong, an independent non-executive director who also serves as chairman of the Audit Committee. The other members include Dr Ku Chia-Tai and Mr Wong Chi Keung, both of whom are independent non-executive directors of the Company, Mr Lu Ming, a non-executive director of the Company and Dr Hsuan, Jason, the chairman and chief executive officer of the Company. The Remuneration Committee held two meetings during 2012. The attendance of individual members at Remuneration Committee meetings is as follows:

Name of director	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
Dr Hsuan, Jason	2/2
Mr Lu Ming	2/2

Corporate Governance Report

REMUNERATION COMMITTEE (Continued)

During its meetings, the Remuneration Committee discussed and reviewed the remuneration policy and structure regarding the senior management and other employees of the Group in 2012 and the remuneration budget for 2013. The Remuneration Committee also reviewed and approved the remuneration packages of individual executive director and senior management with reference to their performance. 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 staffs and directors to serve the Group.

The remuneration of directors is determined in part by reference to the prevailing market conditions and their workload 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 with specific written terms of reference. The terms of reference of the Investment Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

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.

It is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company, the other members include Mr Lu Ming, Ms Wu Qun and Mr Jun Nakagome, all of whom are non-executive directors of the Company and Mr Chan Boon Teong, an independent non-executive director of the Company.

The Investment Committee shall meet as and when required, but in any event at least quarterly. The Investment Committee held four meetings during 2012. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Investment Committee)*	4/4
Mr Lu Ming	4/4
Ms Wu Qun	4/4
Mr Chan Boon Teong	4/4
Mr Jun Nakagome (appointed on 1st April 2012)	3/3
Mr Junichi Kodama (resigned on 1st April 2012)	1/1

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

Corporate Governance Report

INFORMATION DISCLOSURE COMMITTEE

The Company has established the Information Disclosure Committee with specific written terms of reference with effect from 21st March 2013.

The Information Disclosure Committee is responsible for reviewing any information which may give rise to disclosure obligations and making recommendations on disclosure decision to the board of directors of the Company or make any disclosure decision as delegated by the board.

It is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company and the other members include Mr Du Heping and Mr Jun Nakagome, both of them are non-executive directors of the Company, Mr Chan Boon Teong, an independent non-executive director of the Company (his alternate, Mr Wong Chi Keung) and Mr Shane Tyau, the vice president and chief financial officer of the Company.

INTERNAL CONTROL

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) framework. Under the framework, the management is responsible for the design, implementation, and maintenance of internal controls, while the Board reviews the effectiveness of the Group's system of internal controls on an ongoing basis through the Group Internal Audit Department.

During the year ended 31st December 2012, 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 2012, 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.

The Group Internal Audit Department also plays a vital role in the reporting channel of the whistle-blowing system and takes appropriate follow-up actions as instructed by the Audit Committee.

COMPANY SECRETARY

Ms Lee Wa Ying, was appointed as Company Secretary of the Company. The Company Secretary reports to the Chairman on governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management. She is also responsible for professional development of directors. All directors have access to the advice and assistance of the Company Secretary in respect to their duties and any board governance matters. Ms Lee has confirmed that for the year under review, she has taken more than 15 hours of relevant professional training.

Corporate Governance Report

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 SGX.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's general meetings provides a useful platform for direct communication between the Board and shareholders. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The Company holds three general meetings during 2012. The 2012 annual general meeting ("2012 AGM") was held on 24th May 2012. Other special general meeting ("SGM") was held on 22nd February 2012 and 17th July 2012 respectively. The Company's external auditor attended the 2012 AGM. The attendance of individual directors at these meetings is as follows:

	Attendance at general meetings/ Number of general meeting held during the director's term of office in 2012	
	2012 AGM	**SGM**
Name of director		
Executive Director		
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	1/1	1/2
Non-executive Directors		
Mr Liu Liehong	0/1	0/2
Mr Lu Ming	1/1	0/2
Ms Wu Qun	0/1	0/2
Mr Du Heping	1/1	0/2
Mr Jun Nakagome (appointed on 1st April 2012)	1/1	1/1
Mr Xu Haihe (resigned on 29th November 2012)	0/1	0/2
Mr Tam Man Chi (resigned on 29th November 2012)	0/1	1/2
Mr Chen Yen-Sung (resigned on 22nd August 2012)	0/1	0/2
Mr Robert Theodoor Smits (resigned on 11th May 2012)	—	0/1
Mr Junichi Kodama (resigned on 1st April 2012)	—	1/1
Independent Non-executive Directors		
Mr Chan Boon Teong	1/1	2/2
Dr Ku Chia-Tai	1/1	2/2
Mr Wong Chi Keung	1/1	2/2

Code provision A.6.7 stipulates that non-executive directors should attend general meetings of the Company. Due to other business engagement, some of the directors cannot attend the general meetings mentioned above.

Corporate Governance Report

SHAREHOLDERS' RIGHT

Convening a Special General Meeting

Pursuant to the Bye-law 62, a special general meeting may be convened by the Board upon requisition by any shareholder of the Company which as at the date of the deposit carries the right of voting at any general meeting of the Company. The shareholder shall make a written requisition to the Board of the Company at the head office address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the special general meeting to be held within a further 21 days, the shareholder shall do so pursuant to the provision of Section 74(3) of the Companies Act of Bermuda.

Procedures for Putting Forward Proposals at General Meetings

Any Shareholder who wish to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 7 days prior to the date of a general meeting through the Company Secretary whose contact details are set out below.

If a shareholder, who is entitled to attend and vote at the relevant general meeting, wishes to nominate a person (not being the nominating shareholder) to stand for election as a Director, he or she should give to the secretary of the Company notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected, no earlier than the day after the dispatch of the notice of the relevant general meeting and no later than 7 days prior to the date appointed for the relevant general meeting. Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

Enquiries To the Board

Shareholders may send their enquiries to the Board of the Company in writing to the head office of the Company or by facsimile number or by access to the Company's website at www.tpv-tech.com by clicking "Contact Us" on the homepage of the Company's website. The relevant address and facsimile number are as follows:

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

Fax: (852) 2546 8884

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or board committees of the Company, where appropriate, to answer the shareholders' question.

Corporate Governance Report

INVESTION RELATIONS

Amendments to the Bye-Laws

At the annual general meeting of the Company held on 24th May 2012, the shareholders approved the amendments to the Bye-laws, the provisions of which principally reflected the recent changes to the Listing Rules and the change to use electronic means to communicate with shareholders. An updated version of the Memorandum of Association and Bye-Laws of the Company is available on the websites of the Company, the Exchange and SGX.

Communication with Shareholders and Investors

The Company gives high priority in ensuring our shareholders are provided with timely and equal access to accurate, complete and balanced information of the Company. The Board shall maintain open communications with shareholders and will regularly review its shareholders' communication policy to ensure its effectiveness.

The Company uses a number of formal communication channels to account for its performance to its shareholders, including annual reports and interim reports, quarterly results announcements, annual general meeting and video conferencing.

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.

Detailed information about the Company, including all information released by the Company to the Exchange, press releases, presentation materials on financial results, general corporate information and information of our board members and senior management are also posted on the Company's website at www.tpv-tech.com.

Independent Auditor's Report

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 48 to 150, which comprise the consolidated and company balance sheets as at 31st December 2012, 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.

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

Independent Auditor's Report

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 2012, 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 2013

Consolidated Income Statement

For the year ended 31st December 2012

	Note	**2012 US$'000**	2011 US$'000
Revenue	5	**11,974,836**	11,040,124
Cost of sales		**(11,075,906)**	(10,382,302)
Gross profit		**898,930**	657,822
Other income	6	**239,465**	29,478
Realised and unrealised gains on foreign exchange forward contracts and options — net		**3,821**	34,513
Net exchange (losses)/gains		**(10,423)**	1,598
Others		**22,231**	73,256
Other gains — net	7	**15,629**	109,367
Selling and distribution expenses		**(496,084)**	(308,519)
Administrative expenses		**(206,855)**	(214,904)
Research and development expenses		**(283,550)**	(124,492)
Operating profit	8	**167,535**	148,752
Finance income	10	**4,423**	4,276
Finance costs	10	**(62,013)**	(12,138)
Finance costs — net	10	**(57,590)**	(7,862)
Share of profit/(loss) of:			
Associates	20	**6,203**	(3,584)
Jointly controlled entities	21	**(1,570)**	(908)
Profit before income tax		**114,578**	136,398
Income tax expense	11	**(31,194)**	(25,735)
Profit for the year	12	**83,384**	110,663
Profit attributable to:			
Owners of the Company		**111,916**	120,398
Non-controlling interests		**(28,532)**	(9,735)
		83,384	110,663
Earnings per share for profit attributable to the owners of the Company			
— Basic	13	**US4.77 cents**	US5.13 cents
— Diluted	13	**US4.77 cents**	US5.13 cents
Dividends	14	**33,542**	36,122

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2012

	2012 US$'000	2011 US$'000
Profit for the year	**83,384**	110,663
Other comprehensive income/(loss):		
Fair value gains/(losses) on available-for-sale financial assets	**407**	(1,778)
Revaluation gain on property, plant and equipment	**—**	3,142
Deferred tax arising from revaluation gain on property, plant and equipment	**—**	(596)
Actuarial losses on pension obligations, net of tax	**(228)**	—
Currency translation differences	**(32,880)**	(40,266)
Other comprehensive loss for the year, net of tax	**(32,701)**	(39,498)
Total comprehensive income for the year	**50,683**	71,165
Attributable to:		
— Owners of the Company	**81,186**	80,900
— Non-controlling interests	**(30,503)**	(9,735)
Total comprehensive income for the year	**50,683**	71,165

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

Consolidated Balance Sheet

As at 31st December 2012

	Note	2012 US$'000	2011 US$'000
Assets			
Non-current assets			
Intangible assets	15	**604,089**	438,834
Property, plant and equipment	16	**681,569**	511,832
Land use rights	17	**74,002**	27,068
Investment properties	18	**38,178**	38,127
Investments in associates	20	**36,787**	31,470
Investments in jointly controlled entities	21	**1,781**	9,764
Derivative financial instruments	35	**2,839**	—
Available-for-sale financial assets	22	**1,158**	734
Deferred income tax assets	31	**67,448**	21,079
Prepayments and other receivables	24	**56,814**	14,705
		1,564,665	1,093,613
Current assets			
Inventories	23	**1,455,949**	1,010,323
Trade receivables	24	**2,319,426**	2,398,527
Deposits, prepayments and other receivables	24	**574,223**	398,871
Financial assets at fair value through profit or loss	25	**4,153**	5,855
Current income tax recoverable		**15,635**	3,128
Derivative financial instruments	35	**12,713**	35,840
Pledged bank deposits	26	**3,865**	7,209
Cash and cash equivalents	26	**497,871**	303,337
		4,883,835	4,163,090
Total assets		**6,448,500**	5,256,703
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	27	**23,456**	23,456
Other reserves	29	**1,830,924**	1,785,874
Proposed final dividend	14 & 29	**22,753**	21,345
		1,877,133	1,830,675
Non-controlling interests		**22,014**	(3,234)
Total equity		**1,899,147**	1,827,441

Consolidated Balance Sheet (Continued)

As at 31st December 2012

	Note	**2012 US$'000**	2011 US$'000
Liabilities			
Non-current liabilities			
Borrowings and loans	30	**279,485**	78,163
Deferred income tax liabilities	31	**11,890**	9,778
Pension obligations	32	**17,187**	6,017
Other payables and accruals	33	**223,452**	41,347
Derivative financial instruments	35	**28**	—
Other provisions	34	**1,585**	—
		533,627	135,305
Current liabilities			
Trade payables	33	**2,370,845**	2,034,840
Other payables and accruals	33	**1,269,594**	787,471
Current income tax liabilities		**35,699**	13,471
Warranty and other provisions	34	**133,347**	71,325
Derivative financial instruments	35	**63,374**	24,850
Borrowings and loans	30	**142,867**	362,000
		4,015,726	3,293,957
Total liabilities		**4,549,353**	3,429,262
Total equity and liabilities		**6,448,500**	5,256,703
Net current assets		**868,109**	869,133
Total assets less current liabilities		**2,432,774**	1,962,746

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

The consolidated financial statements were approved by the Board of Directors on 21st March 2013 and were signed on its behalf.

Dr Hsuan, Jason
Director

Mr Lu Ming
Director

Balance Sheet

As at 31st December 2012

	Note	2012 US$'000	2011 US$'000
Assets			
Non-current assets			
Intangible assets	15	**53**	107
Investments in subsidiary and amounts due from subsidiary	19	**917,230**	914,759
		917,283	914,866
Current assets			
Amounts due from subsidiary	19	**89,479**	120,349
Cash and cash equivalents	26	**413**	361
		89,892	120,710
Total assets		**1,007,175**	1,035,576
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	27	**23,456**	23,456
Other reserves	29	**878,378**	889,506
Proposed final dividend	14 & 29	**22,753**	21,345
		924,587	934,307
Liabilities			
Non-current liabilities			
Borrowings and loans	30	**79,549**	78,163
Current liabilities			
Other payables and accruals	33	**3,039**	3,106
Borrowings and loans	30	**—**	20,000
		3,039	23,106
Total liabilities		**82,588**	101,269
Total equity and liabilities		**1,007,175**	1,035,576
Net current assets		**86,853**	97,604
Total assets less current liabilities		**1,004,136**	1,012,470

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

The consolidated financial statements were approved by the Board of Directors on 21st March 2013 and were signed on its behalf.

Dr Hsuan, Jason
Director

Mr Lu Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2012

	Attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Other reserves		
	US$'000	US$'000	US$'000	US$'000
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 (loss)/income:				
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)
Currency translation differences				
— Group	—	(41,295)	—	(41,295)
— Associates and jointly controlled entities	—	1,029	—	1,029
Total comprehensive income/(loss) for the year, net of tax	—	80,900	(9,735)	71,165
Total contributions by distribution to owners of the Company recognised directly in equity				
Employee share option scheme:				
— Employee share-based compensation benefits	—	4,968	—	4,968
Disposal of interests to non-controlling interests	—	(972)	972	—
Capital contribution from non-controlling interests	—	—	3,000	3,000
Repurchases of shares	(2)	(91)	—	(93)
2010 final and 2011 interim dividends paid	—	(47,619)	—	(47,619)
Balance at 31st December 2011	23,456	1,807,219	(3,234)	1,827,441
Balance at 1st January 2012	23,456	1,807,219	(3,234)	1,827,441
Comprehensive income:				
Profit/(loss) for the year		111,916	(28,532)	83,384
Other comprehensive income/(loss):				
Fair value gain on available-for-sale financial assets	—	407	—	407
Actuarial losses on pension obligations	—	(175)	(53)	(228)
Currency translation differences				
— Group	—	(31,384)	(1,918)	(33,302)
— Associates and jointly controlled entities	—	422	—	422
Total comprehensive income/(loss) for the year, net of tax	—	81,186	(30,503)	50,683
Total contributions by distribution to owners of the Company recognised directly in equity				
Employee share option scheme:				
— Employee share-based compensation benefits	—	2,475	—	2,475
Non-controlling interests arising on business combination	—	—	17,660	17,660
Capital contribution from non-controlling interests	—	—	38,091	38,091
Redemption liability for written put option over shares in a subsidiary	—	(5,069)	—	(5,069)
2011 final and 2012 interim dividends paid	—	(32,134)	—	(32,134)
Balance at 31st December 2012	23,456	1,853,677	22,014	1,899,147

Consolidated Statement of Cash Flows

For the year ended 31st December 2012

	Note	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Net cash generated from operations	37	**677,913**	122,906
Interest paid		**(27,903)**	(8,421)
Income tax paid		**(65,730)**	(36,850)
Net cash generated from operating activities		**584,280**	77,635
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		**4,327**	1,737
Proceeds from disposals of land use rights		**65,190**	15,316
Proceeds from disposals of financial assets at fair value through profit or loss		**2,341**	60
Purchase of property, plant and equipment		**(148,131)**	(184,427)
Purchase of land use rights		**(37,144)**	—
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		**(9,500)**	(800)
Deposits for purchase of property, plant and equipment and land use rights		**(959)**	(11,848)
Interest received		**4,423**	4,276
Investments in associates		**—**	(6,250)
Net cash acquired from/(paid for) acquisition of businesses	41	**2,495**	(1,650)
Payable to Philips for net operating capital contributed		**(306,184)**	—
Dividends received from an associate		**1,843**	2,849
Net cash used in investing activities		**(421,299)**	(186,307)
Cash flows from financing activities			
Issue of notes payable		**—**	74,446
Inception of subordinated loans		**201,585**	—
Net repayments of borrowings and loan		**(219,133)**	(110,533)
Net proceeds of payables under discounting arrangement		**43,590**	319,993
Repurchase of new shares		**—**	(93)
Proceeds/(repayment) for derivative financial instruments — interest rate swaps		**1,000**	(2,000)
Pledged bank deposits		**3,344**	(4,898)
Dividends paid to owners and non-controlling interests		**(32,134)**	(47,619)
Contribution to a subsidiary from its non-controlling interest		**38,091**	3,000
Net cash generated from financing activities		**36,343**	232,296
Net increase in cash and cash equivalents		**199,324**	123,624
Cash and cash equivalents at beginning of year		**303,337**	184,426
Currency translation differences		**(4,790)**	(4,713)
Cash and cash equivalents at end of year		**497,871**	303,337
Analysis of cash and cash equivalents:			
Bank balances and cash	26	**497,871**	303,337

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") design, manufacture and sell 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 and rounded to the nearest thousand dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 21st March 2013.

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 Company 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 at fair value through profit or loss (including derivative financial instruments), contingent consideration payables, redemption liability for written put option over shares in a subsidiary and investment properties, which are carried at fair values.

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) Amendment to standard adopted by the Group

The following amendment to standard is mandatory for the first time for the financial year beginning 1st January 2012. The adoption of this amendment to standard does not have any significant impact to the results and financial position of the Group.

HKAS 12 (revised), "Income taxes" is amended by the HKICPA in December 2010, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the Company expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The Group's investment properties are held by certain subsidiaries outside Hong Kong with a business model to consume substantially all the economic benefits embodied in the investment properties over time, rather than through sales. For these investment properties, the presumption is rebutted and related deferred income tax is not re-measured.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Amendment to standard adopted by the Group (Continued)

Other than as disclosed above, there are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1st January 2012 that would be expected to have a significant impact on the Group.

(b) Amendment to standard that is effective but not currently relevant to the Group

The following amendment to standard is mandatory for the first time for the financial year beginning 1st January 2012, but is not currently relevant to 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.

Amendments to HKFRS 7 (revised), "Financial Instruments: Disclosures", issued in October 2010. The amendments require additional disclosure for risk exposures arising from transferred financial assets and no disclosures are required for prior periods.

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

A number of new standards, amendments to standards and interpretations are not effective for financial year beginning on 1st January 2012, and have not been applied in preparing these consolidated financial statements.

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated income statement, unless this creates an accounting mismatch. The Group will apply the standard no later than the accounting period beginning on 1st January 2015.

HKFRS 10, "Consolidated financial statements" 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. The Group will apply the amended standard no later than the accounting period beginning on 1st January 2013.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New standards, amendments to standards 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 Group intends to adopt HKFRS 11 no later than the accounting period beginning on 1st January 2013.

HKFRS 12, "Disclosures of interests in other entities". 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. The Group will apply the amended standard no later than the accounting period beginning on 1st January 2013.

HKFRS 13, "Fair value measurement" 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. The Group will apply the amended standard no later than the accounting period beginning on 1st January 2013.

Amendment to HKAS 1, "Financial statement presentation" regarding other comprehensive income. 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 intends to adopt it no later than the accounting period beginning after 1st July 2012.

HKAS 19, "Employee benefits", was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group intends to adopt it no later than the accounting period beginning on 1st January 2013.

HKAS 27 (revised), "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 no later than the accounting period beginning on 1st January 2013.

HKAS 28 (revised), "Investments in 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 no later than the accounting period beginning on 1st January 2013.

Amendment to HKAS 32, "Financial instruments: Presentation — 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 intends to adopt it no later than the accounting period beginning on 1st January 2014.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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 amended standard no later than the accounting period beginning on 1st January 2013.

Annual improvements 2011, is issued in June 2012 and applies for the annual periods beginning on or after 1st January 2013. Earlier application is permitted. The Group will apply the amended standard no later than the accounting period beginning on 1st January 2013.

The Group is yet to assess the full impact of adopting these new standards, amendments to standards and interpretations.

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.

Notes to the Consolidated Financial Statements

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 acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised within "other gains — net" in the consolidated income statement.

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.

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.

Notes to the Consolidated Financial Statements

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 also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivables.

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 jointly controlled companies

Associates are those companies over which the Group has significant influence but not control or joint control, over their management including participation in the financial and operating policy decisions, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Jointly controlled companies are those companies held for the long-term, over which the Group is in a position to exercise joint control with other venturers in accordance with contractual arrangements, and where none of the participating parties has unilateral control over the economic activity of the joint venture.

Investments in associates and jointly controlled companies 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 and jointly controlled companies includes goodwill identified on acquisition.

If the ownership interest in an associate 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 its jointly controlled and associates post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated 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 jointly controlled company equals or exceeds its interest in the associate or jointly controlled company, 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 jointly controlled company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or jointly controlled company 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 jointly controlled company and its carrying value and recognises the amount adjacent to "share of profit/(loss)" of associates or jointly controlled companies in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and jointly controlled companies (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or jointly controlled company are recognised in the Group's consolidated 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.

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

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 the 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 consolidated income statement.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets 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 financial assets are included in other comprehensive income.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(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 owners 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.

Notes to the Consolidated Financial Statements

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 consolidated income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use Amortisation on leasehold land classified as finance lease and 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 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 consolidated 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.

Notes to the Consolidated Financial Statements

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 consolidated income statement as part of a valuation gain or loss in "other gains — net".

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities 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).

(c) Software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives of 5 years.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

(d) Other intangible assets arising from business combinations

Intangible assets, other than goodwill, identified on business combinations are capitalised at their fair values. They represent mainly contractual customer relationships and favourable services arrangement. Intangible assets arising from business combinations with definite useful lives are amortised on a straight-line basis from the date of acquisition over their estimated useful lives of not more than 3 years.

2.10 Impairment of 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 (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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 prepayments and other receivables", "trade receivables", "deposits, prepayments and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.16 and 2.17).

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.1 Classification (Continued)

(c) Available-for-sale financial assets

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

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 consolidated 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 consolidated income statement within "other gains — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated 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 consolidated income statement as "other gains — net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated 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 consolidated 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.

Notes to the Consolidated Financial Statements

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.

2.14 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 consolidated income statement within "other gains — net".

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 receivables, deposits, prepayments 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 deposits, prepayments 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 receivables deposits, prepayments 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 and deposits held at call with banks, but excludes pledged bank deposits and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within "borrowings and loans" 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.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals 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 payables, other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Borrowings and loans

Borrowings and loans 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 consolidated income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings and loans 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 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in consolidated statement of changes in equity or directly in equity. In this case the tax is also recognised in consolidated statement of changes in equity 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 end of reporting period in the countries where the Company's subsidiaries 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.

(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 end of reporting period 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

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

2.22 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes, included both defined contribution and defined benefit plans in the PRC, Hong Kong, Taiwan and overseas countries.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independently administrated fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered funds on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions 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.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(a) Pension obligations (Continued)

Actuarial gains and losses are recognised over the average remaining service lives of employees.

Past-service costs are recognised immediately in consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(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 Group 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.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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 consolidated 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 earnings".

(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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. 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 within "finance costs — net" in the consolidated income statement.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, 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 from investment properties is recognised in the consolidated income statement on a straight-line basis over the terms of lease.

(c) Brand promotion fee income

Brand promotion fee income is recognised in the consolidated income statement when the promotion and enhancement services are rendered and the amount of fee for the services is approved by the counterparty.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Interest income

Interest income is recognised using the effective interest method. When a loan and receivables are 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.

2.27 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 and subsidies relating to costs are deferred and recognised within "other income" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants and subsidies relating to property, plant and equipment are offset against the costs of the related assets.

2.28 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 and have therefore not been differentiated from research costs.

2.29 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.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 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 consolidated income statement immediately.

2.32 Redemption liability for written put option over shares in a subsidiary

The redemption liability for written put option over shares in a subsidiary is accounted for as a financial liability. The amount is initially recognised at fair value within "other payables and accruals" with a corresponding charge directly to equity. Such liability is subsequently measured at fair value with changes in the fair value recognised in the consolidated income statement. In the event that the put option expires and unexercised, the liability is derecognised with a corresponding adjustment to equity.

2.33 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management 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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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, Brazilian real and Euro. 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 currencies. 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 2012, if US dollar had fluctuated by 1 percent against Renminbi with all other variables held constant, post-tax profit for the year would have been affected by US$4,829,000 (2011: US$2,582,000), mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated trade and other receivables, trade and other payables, derivatives financial instruments, borrowings and loans, and cash and cash equivalents.

As at 31st December 2012, if US dollars had fluctuated by 5 percent against Euro with all other variables held constant, post-tax profit for the year would have been affected by US$19,318,000 (2011: US$944,000), mainly as a result of foreign exchange gains/losses on translation of US dollars denominated trade and other receivables, trade and other payables, derivatives financial instruments, borrowings and loans, and cash and cash equivalents.

As at 31st December 2012, if US dollar had fluctuated by 5 percent against Brazilian real with all other variables held constant, post-tax profit for the year would have been affected by US$6,218,000 (2011: US$958,000), mainly as a result of foreign exchange gains/losses on translation of US dollars denominated trade and other receivables, trade and other payables, derivatives financial instruments, borrowings and loans, and cash and cash equivalents.

(ii) Price risk

The Group is exposed to equity securities price risk because of 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 maintains these equity securities investments for long-term strategic purposes and the Group's overall exposure to price risk is insignificant.

The Group's investments in equity securities which are publicly traded are listed in Taiwan Stock Exchange and 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 reporting date.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets 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 and loans. 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% per annum 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 and cross-currency interest rate swaps which expose the Group to cash flow and interest rate risk. Details of the Group's interest rate swaps and cross-currency 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 2012, if interest rates on borrowings and loans 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$397,000 (2011: US$50,000) and Nil (2011: US$2,000) lower/higher respectively, mainly as a result of higher/lower interest expenses on floating rate borrowings and loans.

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from derivative financial instruments and cash deposits with banks and financial institutions, as well as credit exposures to customers and debtors, including outstanding 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 2012 and 2011, for cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, they are all deposited or traded with high quality financial institutions without significant credit risk.

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The table below shows the gross trade receivables balance of the five major customers aggregated on a global basis for companies at the reporting date.

Counterparties	**2012 US$'000**
Customer A	**311,346**
Customer B	**115,082**
Customer C	**102,832**
Customer D	**70,839**
Customer E	**58,309**
	658,408

Counterparties	2011 US$'000
Customer F	316,180
Customer A	280,229
Customer B	129,154
Customer G	126,132
Customer H	87,517
	939,212

(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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group holds cash and cash equivalents of US$497,871,000 (2011: US$303,337,000) (Note 26) and trade receivables of US$2,319,426,000 (2011: US$2,398,527,000) (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$4,153,000 (2011: US$5,855,000) (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 settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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	Over 2 years	Total
	US$'000	US$'000	US$'000	US$'000
At 31st December 2012				
Borrowings and loans	**142,867**	**89,299**	**205,936**	**438,102**
Interest payments on borrowings	**11,978**	**9,124**	**3,630**	**24,732**
Derivative financial instruments	**57,564**	**28**	**—**	**57,592**
Trade payables	**2,370,845**	**—**	**—**	**2,370,845**
Other payables and accruals	**1,269,594**	**102,198**	**294,387**	**1,666,179**
At 31st December 2011				
Borrowings and loans	362,000	—	79,365	441,365
Interest payments on borrowings	4,638	3,373	1,687	9,698
Derivative financial instruments	13,983	—	—	13,983
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

Notes to the Consolidated Financial Statements

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	Over 2 years US$'000	Total US$'000
At 31st December 2012				
Borrowings and loans	**—**	**80,204**	**—**	**80,204**
Interest payments on borrowings	**3,409**	**1,704**	**—**	**5,113**
Other payables and accruals	**3,039**	**—**	**—**	**3,039**
Financial guarantee contracts (Note)	**3,496,984**	**—**	**—**	**3,496,984**
At 31st December 2011				
Borrowings and loans	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 (Note)	3,166,013	—	—	3,166,013

Note:

These represents financial guarantees from the Company to its subsidiaries, and the amounts presented above represent the hypothetical payment should the guarantees be crystalised.

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 reporting 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	Over 2 years US$'000	Total US$'000
At 31st December 2012				
Foreign exchange forward contracts				
— Inflow	**1,097,184**	**—**	**—**	**1,097,184**
— Outflow	**1,093,384**	**—**	**—**	**1,093,384**
At 31st December 2011				
Foreign exchange forward contracts				
— Inflow	3,348,426	—	—	3,348,426
— Outflow	3,343,345	—	—	3,343,345

Notes to the Consolidated Financial Statements

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 complied with the financial covenants attached to borrowings and loans, and bank facilities as at 31st December 2012.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets. Total debt calculated as total borrowings and loans (including "current and non-current borrowings and loans" as shown in the consolidated balance sheet), and payables under discounting arrangement. Management considers a gearing ratio of not more than 50 per cent as reasonable.

The gearing ratios at 31st December 2012 and 2011 were as follows:

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Total borrowings and loans (note 30)	**422,352**	440,163	**79,549**	98,163
Payables under discounting arrangement (note 33)	**363,583**	319,993	**—**	—
Total debts	**785,935**	760,156	**79,549**	98,163
Total assets	**6,448,500**	5,256,703	**1,007,175**	1,035,576
Gearing ratio	**12.2%**	14.5%	**7.9%**	9.5%

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).

Notes to the Consolidated Financial Statements

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 2012:

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets	**708**	**—**	**450**	**1,158**
Financial assets at fair value through profit or loss	**4,153**	**—**	**—**	**4,153**
Derivative financial instruments	**—**	**15,552**	**—**	**15,552**
	4,861	**15,552**	**450**	**20,863**
Liabilities				
Derivative financial instruments	**—**	**63,402**	**—**	**63,402**
Other payable — contingent consideration payable and redemption liability for written put option over shares in a subsidiary	**—**	**—**	**18,651**	**18,651**
	—	**63,402**	**18,651**	**82,053**

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 fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting 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 2012:

	Available-for-sale financial assets US$'000	Other payable — contingent consideration payable US$'000	Other payable — Redemption liability for written put option in a subsidiary US$'000
Opening balance	433	—	—
Additions arisen from business combination	—	11,829	5,069
Unwinding of interests on contingent consideration	—	1,811	—
Exchange difference	19	(58)	—
Impairment losses charged to consolidated income statement	(2)	—	—
Closing balance	450	13,582	5,069

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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 charged to consolidated income statement	(480)
Closing balance	433

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.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. 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 reporting date. Management assesses 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 receivables. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

(f) Net realisable value of inventories

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

(g) Useful lives and impairment of property, plant and equipment and intangible assets other than goodwill

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of the assets 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 provide impairment for technically obsolete or non-strategic assets that have been abandoned or sold.

The Group reviews property, plant and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of recoverable amount, which is based on the best information available. The Group derives the required cash flow estimates from historical experience and internal business plans. To determine recoverable amount, the Group uses cash flow estimates discounted at an appropriate discount rate, quoted market prices when available and independent appraisals, as appropriate.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(h) Employee benefits — share-based payments

The valuations 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 reporting 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 consolidated income statement in the year in which the royalty expenses are incurred.

(k) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 32.

(l) Estimated fair values of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in the consolidated income statement. 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.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(m) Contingent consideration payable and redemption liability for written put option over shares in a subsidiary

The valuations of the Group's contingent consideration payable and redemption liability for written put option over shares in a subsidiary are based on the acquired business's post-acquisition performance.

These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired business and significant judgment on time value of money. Contingent considerations payable and redemption liability for written put option over shares in a subsidiary shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement.

Judgement is applied to determine key assumptions (such as sales growth, gross margins growth and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payables amount. Additional information is disclosed in Note 41(a)(i).

(n) Business combinations

The Group accounts for all its business combinations applying the acquisition method. The assets acquired and the liabilities assumed are recognised and measured on the basis of their fair values at the date of acquisition. To determine fair values of assets acquired and liabilities assumed, the Group must make estimates and use valuation techniques when a market value is not readily available.

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.

There are differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss. Compared with last year and corresponding year ended, one more operating segment, TP Vision's TV business, was identified as a result of the acquisition of 70% equity interest in TP Vision Holding B.V. ("TP Vision") and its subsidiaries (collectively "TP Vision Group") on 1st April 2012. Given that the newly acquired business is an operating segment that is separately reviewed by the chief operating decision-maker, TP Vision Group's TV business is considered as a separate reportable segment. The comparative segment information for the year ended 31st December 2011 has been reclassified to align with the presentation of the latest segment information disclosure.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The Group is therefore organised on a worldwide basis into three main operating segments. They are (i) Monitors; (ii) TVs; and (iii) TP Vision — TVs. Others mainly comprise the sales of chassis, spare parts, CKD/SKD and all-in-one computers.

The Group's chief operating decision-maker assesses the performance of the operating segments based on a measure of adjusted operating profit/(loss). Expenses are allocated to operating segments on the basis with reference to revenue contribution of respective segments, Finance income, finance costs, share of profits less losses of associates and jointly controlled entities and unallocated income and expenses are not included in the result for each operating segment that is reviewed by the Group's chief operating decision-maker.

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 and derivative financial assets. They exclude investment properties, investments in associates, investments in jointly controlled entities, available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss, current income tax recoverable, pledged bank deposits and cash and cash equivalents and other unallocated assets, 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, derivatives financial liabilities, and warranty and other provisions. They exclude current income tax liabilities, deferred income tax liabilities, borrowings and loans and other unallocated liabilities which are managed on a central basis. These are included in the reconciliation to total balance sheet liabilities.

Revenue from external customers is after elimination of inter-segment revenue and is categorised according to the final destination of shipment.

Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to the chief operating decision maker, is measured in a manner consistent with that in the consolidated income statement.

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The following tables present revenue and profit/(loss) information regarding the Group's operating segments for the year ended 31st December 2012 and 2011 respectively.

	For the year ended 31st December 2012				
	Monitors US$'000	**TVs US$'000**	**TP Vision — TVs US$'000**	**Others US$'000**	**Total US$'000**
Revenue from external customers — sales of goods	**5,734,108**	**2,276,150**	**2,725,398**	**1,239,180**	**11,974,836**
Inter-segment revenue	**—**	**1,224,619**	**—**	**—**	**1,224,619**
	5,734,108	**3,500,769**	**2,725,398**	**1,239,180**	**13,199,455**
Adjusted operating profit/(loss)	**118,006**	**45,369**	**25,816**	**(8,977)**	**180,214**
Depreciation of property, plant and equipment	**39,289**	**65,534**	**21,798**	**2,936**	**129,557**
Amortisation of land use rights	**—**	**—**	**—**	**1,445**	**1,445**
Amortisation of intangible assets	**4,600**	**9,098**	**43,945**	**744**	**58,387**
Capital expenditure	**61,485**	**145,709**	**18,954**	**8,537**	**234,685**

	For the year ended 31st December 2011 (restated)			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers — sales of goods	6,079,480	3,721,925	1,238,719	11,040,124
Inter-segment revenue	—	—	—	—
	6,079,480	3,721,925	1,238,719	11,040,124
Adjusted operating profit/(loss)	187,870	(58,853)	3,928	132,945
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

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The following tables present segment assets and liabilities as at 31st December 2012 and 2011 respectively.

	As at 31st December 2012				
	Monitors US$'000	TVs US$'000	TP Vision — TVs US$'000	Others US$'000	Total US$'000
Segment assets	**2,565,749**	**2,064,585**	**693,041**	**422,643**	**5,746,018**
Segment liabilities	**(1,311,606)**	**(1,018,871)**	**(1,033,107)**	**(347,176)**	**(3,710,760)**

	As at 31st December 2011 (restated)			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Segment assets	2,597,966	1,824,029	315,424	4,737,419
Segment liabilities	(1,369,692)	(993,853)	(282,312)	(2,645,857)

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

	2012 US$'000	2011 (restated) US$'000
Adjusted operating profit for reportable segments	**180,214**	132,945
Unallocated income	**25,779**	48,288
Unallocated expenses	**(38,458)**	(32,481)
Operating profit	**167,535**	148,752
Finance income	**4,423**	4,276
Finance costs	**(62,013)**	(12,138)
Share of profits less losses of associates	**6,203**	(3,584)
Share of profits less losses of jointly controlled entities	**(1,570)**	(908)
Profit before income tax	**114,578**	136,398

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

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

	As at 31st December	
	2012	2011
		(restated)
	US$'000	US$'000
Segment assets	**5,746,018**	4,737,419
Investment properties	**38,178**	38,127
Investments in associates	**36,787**	31,470
Investments in jointly controlled entities	**1,781**	9,764
Available-for-sale financial assets	**1,158**	734
Deferred income tax assets	**67,448**	21,079
Financial assets at fair value through profit or loss	**4,153**	5,855
Current income tax recoverable	**15,635**	3,128
Pledged bank deposits	**3,865**	7,209
Cash and cash equivalents	**497,871**	303,337
Other unallocated assets	**35,606**	98,581
Total assets	**6,448,500**	5,256,703

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

	As at 31st December	
	2012	2011
		(restated)
	US$'000	US$'000
Segment liabilities	**3,710,760**	2,645,857
Current income tax liabilities	**35,699**	13,471
Deferred income tax liabilities	**11,890**	9,778
Borrowings and loans	**422,352**	440,163
Other unallocated liabilities	**368,652**	319,993
Total liabilities	**4,549,353**	3,429,262

Notes to the Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

The analysis of revenue from external customers by geographical areas is as follows:

	2012 US$'000	2011 US$'000
Europe	**3,604,540**	2,887,527
The PRC	**3,419,395**	3,236,756
North America	**1,959,247**	1,954,860
South America	**1,422,092**	1,146,889
Africa	**16,972**	41,637
Australia	**75,701**	67,458
Rest of the world	**1,476,889**	1,704,997
	11,974,836	11,040,124

At 31st December 2012, the total of non-current assets other than financial instruments and deferred income tax assets located in the PRC is US$518,759,000 (2011: US$465,904,000), and the total of these non-current assets located in other countries is US$917,647,000 (2011: US$605,896,000).

For the year ended 31st December 2012, revenue of approximately US$1,354,642,000 (2011: US$1,116,720,000) are derived from a single external customer. These revenue are primarily attributable to the sale of monitors and others. The customer is also the largest debtors at the reporting date.

6 OTHER INCOME

	2012 US$'000	2011 US$'000
Fiscal refund, government grant and technical innovation subsidy (Note)	**30,674**	11,630
Brand promotion fee income (Note 41(a)(v))	**136,724**	—
Compensation for product launch delay (Note 41(a)(v))	**40,439**	—
Localisation incentives (Note)	**7,976**	—
Rental income	**5,040**	3,998
Income from sales of scrap materials	**7,589**	7,252
Miscellaneous income	**11,023**	6,598
	239,465	29,478

Note:

Fiscal refund, government grant, technical innovation subsidy and localisation incentives were from the governments.

Notes to the Consolidated Financial Statements

7 OTHER GAINS — NET

	2012 US$'000	2011 US$'000
Gains from bargain purchase of subsidiaries (Note 41(a) & (c))	**25,639**	610
Realised and unrealised gains on foreign exchange forward contracts and options – net	**3,821**	34,513
Realised and unrealised (losses)/gains on interest rate swaps – net	**(25)**	866
Realised and unrealised gains on cross currency swaps – net	**2,541**	950
Net exchange (losses)/gains	**(10,423)**	1,598
Fair value gains/(losses) on financial assets at fair value through profit or loss	**424**	(1,316)
Fair value loss of derivative financial instrument	**(6,037)**	—
Losses on disposal of financial assets at fair value through profit or loss	**(36)**	(26)
Losses on disposal of property, plant and equipment	**(411)**	(10,227)
Fair value gains on revaluation of investment properties – net (Note 18)	**51**	2,801
Impairment losses on available-for-sale financial assets (Note 22)	**(2)**	(480)
Gains on disposal of land use rights	**87**	80,078
	15,629	109,367

8 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the year:

	2012 US$'000	2011 US$'000
Cost of inventories	**10,365,455**	9,910,336
Employee benefit expenses (including directors' emoluments) (Note 9)	**621,156**	408,011
Depreciation of property, plant and equipment (Note 16)	**129,557**	109,285
Amortisation of land use rights (Note 17)	**1,445**	643
Amortisation of intangible assets (Note 15)	**58,387**	13,984
Acquisition-related costs	**3,149**	—
Operating lease rental for land, buildings and machinery	**38,886**	25,206
Auditors' remuneration		
— Audit services	**4,273**	2,556
— Acquisition-related services	**1,269**	5,848
— Non-audit services	**1,494**	1,899
Charge for warranty provision (Note 34)	**131,174**	92,432
Charge for restructuring provision (Note 34)	**45,443**	—
Provision for impairment of receivables (Note 24)	**8,390**	15,022
Write-down/(reversal) of inventories to net realisable value (Note 23)	**3,790**	(22,581)
Impairment losses on property, plant and equipment (Note 16)	**7,725**	287
Donations	**286**	182

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES

	2012 US$'000	2011 US$'000
Wages, salaries and welfare	**607,423**	399,282
Share options granted to a director and employees	**2,475**	4,968
Pension costs — defined contribution plans	**9,808**	3,129
Pension costs — defined benefit plan (Note 32)	**1,450**	632
	621,156	408,011

(a) Directors' and chief executive emoluments

The remuneration of the directors for the year ended 31st December 2012 is set out below:

Name of director	Fees US$'000	Basic salaries, housing allowances and other benefits in kind US$'000	Pension US$'000	Share-based payments US$'000	Discretionary bonuses US$'000	Total US$'000
Dr Hsuan, Jason (Note (i))	—	327	—	41	752	1,120
Mr Liu Liehong	—	—	—	—	—	—
Mr Lu Ming	—	—	—	—	—	—
Ms Wu Qun	—	—	—	—	—	—
Mr Du Heping	—	—	—	—	—	—
Mr Jun Nakagome (Note (ii))	—	—	—	—	—	—
Mr Xu Haihe (Note (iii))	—	—	—	—	—	—
Mr Tam Man Chi (Note (iii))	—	—	—	—	—	—
Mr Chen Yen-Sung (Note (iii))	—	—	—	—	—	—
Mr Robert Theodoor Smits (Note (iii))	—	—	—	—	—	—
Mr Junichi Kodama (Note (iii))	—	—	—	—	—	—
Mr Chan Boon Teong	116	—	—	—	—	116
Dr Ku Chia-Tai	77	—	—	—	—	77
Mr Wong Chi Keung	77	—	—	—	—	77

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Directors' and chief executive emoluments (Continued)

The remuneration of the directors 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	Pension 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

Notes:

(i) Dr Hsuan, Jason is also the chief executive officer of the Company.
(ii) This director was appointed as director of the Company during the year.
(iii) These directors resigned as directors of the Company during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2011: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2011: four) individuals during the year are as follows:

	2012 US$'000	2011 US$'000
Basic salaries, housing allowances and other benefits in kind	**2,157**	2,062
Discretionary bonuses	**746**	864
	2,903	2,926

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands (in HK dollar)		
HK$4,500,001 to HK$5,000,000 (equivalent to US$580,136 to US$644,596)	**—**	1
HK$5,000,001 to HK$5,500,000 (equivalent to US$644,597 to US$709,056)	**2**	1
HK$5,500,001 to HK$6,000,000 (equivalent to US$709,057 to US$773,514)	**1**	—
HK$6,000,001 to HK$6,500,000 (equivalent to US$773,515 to US$837,974)	**1**	1
HK$6,500,001 to HK$7,000,000 (equivalent to US$837,975 to US$902,434)	**—**	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.

(c) Senior management remuneration by band

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands (in HK dollar)		
HK$3,500,001 to HK$4,000,000 (equivalent to US$451,217 to US$515,677)	**1**	1
HK$4,000,001 to HK$4,500,000 (equivalent to US$515,678 to US$580,135)	**3**	3
HK$4,500,001 to HK$5,000,000 (equivalent to US$580,136 to US$644,596)	**2**	3
HK$5,000,001 to HK$5,500,000 (equivalent to US$644,597 to US$709,056)	**1**	—

Notes to the Consolidated Financial Statements

10 FINANCE INCOME AND COSTS

	2012 US$'000	2011 US$'000
Cash interest		
— Interest expense on bank borrowings	**18,396**	9,176
— Interest expense on subordinated loans	**5,585**	—
— Interest expense on notes payable	**3,922**	2,962
Non-cash interest		
— Unwinding of interests on license fee payable	**29,992**	—
— Unwinding of interests on subordinated loans	**2,307**	—
— Unwinding of interests on contingent consideration payable	**1,811**	—
Interest expenses	**62,013**	12,138
Interest income on short-term bank deposits	**(4,423)**	(4,276)
Finance costs — net	**57,590**	7,862

Borrowing costs of US$452,000 (2011: Nil) were capitalised during the year ended 31st December 2012.

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 (2011: Nil).

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

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2012 US$'000	2011 US$'000
Current income tax		
— current year	**70,157**	36,989
— under/(over)-provision in respect of prior years	**886**	(780)
Deferred income tax credit (Note 31)	**(39,849)**	(10,474)
Income tax expense	**31,194**	25,735

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate of 15% (2011: 15%) applicable to profits of the majority of the consolidated entities as follows:

	2012 US$'000	2011 US$'000
Profit before income tax	**114,578**	136,398
Calculated at a taxation rate of 15% (2011: 15%)	**17,187**	20,460
Different taxation rates in other countries	**961**	1,697
Change of taxation rate	**3,216**	(158)
Income not subject to tax	**(41,622)**	(26,171)
Preferential tax rate in respect of tax holiday enjoyed by the PRC subsidiaries	**(786)**	(957)
Expenses not deductible for tax purposes	**30,162**	16,036
Losses for which no deferred income tax asset was recognised	**11,569**	15,021
Utilisation of previously unrecognised tax loss	**(3,453)**	(1,946)
Under/(over)-provision in respect of prior years	**886**	(780)
Withholding tax on unremitted earnings	**1,669**	2,533
Temporary differences for which no deferred income tax asset was recognised	**8,723**	—
Other taxes	**2,682**	—
Income tax expense	**31,194**	25,735

12 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of US$19,939,000 (2011: US$26,346,000).

13 EARNINGS PER SHARE

(a) Basic

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

	2012	2011
Profit attributable to owners of the Company (US$'000)	**111,916**	120,398
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,735
Basic earnings per share (US cents per share)	**4.77**	5.13

Notes to the Consolidated Financial Statements

13 EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options which may result in dilutive potential ordinary shares. Its 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.

	2012	2011
Profit attributable to owners of the Company and used to determined diluted earnings (US$'000)	**111,916**	120,398
Weighted average number of ordinary shares in issue and for diluted earnings per share (thousands)	**2,345,636**	2,345,735
Diluted earnings per share (US cents per share)	**4.77**	5.13

Diluted earnings per share for the year ended 31st December 2012 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

	2012 **US$'000**	2011 US$'000
Interim dividend, paid, of US0.46 cent (2011: US0.63 cent) per ordinary share	**10,789**	14,777
Final, proposed, of US0.97 cent (2011: US0.91 cent) per ordinary share	**22,753**	21,345
	33,542	36,122

A final dividend in respect of the year ended 31st December 2012 of US0.97 cent per share, totalling US$22,753,000 was proposed by the board of directors on 21st March 2013 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to US$22,753,000, has not been recognised as a liability in the financial statement, but reflected as an appropriation of retained profits for the year ending 31st December 2013.

Notes to the Consolidated Financial Statements

15 INTANGIBLE ASSETS

(a) Group

	Goodwill	Trademarks and patents	Software (Note (iii))	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2011					
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 arisen from business combination	—	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
Year ended 31st December 2012					
Opening net book amount	389,098	49,736	—	—	438,834
Exchange differences	—	(3,311)	(114)	(604)	(4,029)
Additions arisen from business combination (Note 41)	3,627	195,737	—	18,807	218,171
Additions	—	—	9,500	—	9,500
Amortisation charge (Note(i))	—	(45,681)	—	(12,706)	(58,387)
Closing net book amount	392,725	196,481	9,386	5,497	604,089
At 31st December 2012					
Cost	392,725	262,346	9,386	18,203	682,660
Accumulated amortisation	—	(65,865)	—	(12,706)	(78,571)
Net book amount	392,725	196,481	9,386	5,497	604,089

Notes to the Consolidated Financial Statements

15 INTANGIBLE ASSETS (Continued)

(b) Company

	Trademarks US$'000
At 1st January 2011	
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
Year ended 31st December 2012	
Opening net book amount	107
Amortisation charge (Note(ii))	(54)
Closing net book amount	53
At 31st December 2012	
Cost	800
Accumulated amortisation	(747)
Net book amount	53

Notes:

(i) Amortisation charge for the Group included in "cost of sales" and "administrative expenses" amounted to US$45,628,000 (2011: US$13,931,000) and US$12,759,000 (2011: US$53,000) respectively in the consolidated income statement.

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

(iii) No amortisation charge on software was made during the year as it was not ready for use.

Notes to the Consolidated Financial Statements

15 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Management reviews the business performance of the Group based on the products the respective businesses provide. Monitors and TVs are identified as the main products of the Group. Goodwill is monitored by the management at operating segment level. Management considers Monitors and TVs are two operating segments and CGUs. The following is a summary of goodwill allocation for each operating segment:

	2012	2011
	US$'000	US$'000
Monitors	**324,274**	324,274
TVs	**68,451**	64,824
	392,725	389,098

The recoverable amount of a 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 next 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 in 2012 are as follows:

	Monitors	**TVs**
Gross margin	7.0%	7.9%
Average growth rate for the first five-year period	4.0%	17.1%
Long-term growth rate	2.0%	3.0%
Discount rate	10.0%	10.0%

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 also 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 2012 and 2011.

Notes to the Consolidated Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Land and buildings in Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
At 1st January 2011											
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
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
Transfers	(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

Group	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Land and buildings in Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31st December 2012											
Opening 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**
Exchange differences	**(2,930)**	**(3,900)**	**—**	**(728)**	**(2,964)**	**(332)**	**(311)**	**(2)**	**(438)**	**(923)**	**(12,528)**
Additions	**—**	**2,902**	**16**	**3,354**	**14,671**	**79,344**	**10,766**	**245**	**6,433**	**70,810**	**188,541**
Additions arisen from business combination (Note 41)	**31,808**	**42,203**	**—**	**3,291**	**28,073**	**3,316**	**11,137**	**66**	**1,034**	**16,431**	**137,359**
Transfers	**—**	**42,787**	**—**	**11,484**	**8,688**	**16,757**	**1,978**	**—**	**(760)**	**(82,549)**	**(1,615)**
Disposals	**(41)**	**(2)**	**—**	**(380)**	**(1,854)**	**(797)**	**(640)**	**(187)**	**(837)**	**—**	**(4,738)**
Depreciation (Note 8)	**—**	**(10,775)**	**(298)**	**(5,931)**	**(16,873)**	**(65,952)**	**(21,683)**	**(587)**	**(7,458)**	**—**	**(129,557)**
Provision for impairment losses (Note 8)	**—**	**—**	**—**	**(870)**	**(150)**	**(5,269)**	**(723)**	**—**	**(5)**	**(708)**	**(7,725)**
Closing net book amount	**46,257**	**231,191**	**6,108**	**54,694**	**113,380**	**76,412**	**51,259**	**1,838**	**21,241**	**79,189**	**681,569**
At 31st December 2012											
Cost	**46,257**	**291,468**	**6,629**	**74,641**	**177,077**	**313,878**	**165,673**	**4,555**	**54,582**	**80,595**	**1,215,355**
Accumulated depreciation	**—**	**(57,582)**	**(521)**	**(19,076)**	**(63,376)**	**(232,038)**	**(113,621)**	**(2,717)**	**(33,330)**	**—**	**(522,261)**
Accumulated impairment losses	**—**	**(2,695)**	**—**	**(871)**	**(321)**	**(5,428)**	**(793)**	**—**	**(11)**	**(1,406)**	**(11,525)**
Net book amount	**46,257**	**231,191**	**6,108**	**54,694**	**113,380**	**76,412**	**51,259**	**1,838**	**21,241**	**79,189**	**681.569**

Notes to the Consolidated Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense of US$113,999,000 (2011: US$99,766,000) has been charged in "cost of sales", US$2,208,000 (2011: US$1,688,000) in "selling and distribution expenses", US$7,954,000 (2011: US$5,010,000) in "administrative expenses", US$5,396,000 (2011: US$2,821,000) in "research and development expenses". Impairment loss of US$6,990,000 (2011: US$287,000) has been charged in "cost of sales", US$735,000 (2011: Nil) in "research and development expenses."

During the year, the Group has capitalised borrowing costs amounting to US$452,000 (2011: Nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of specific borrowing of 7.53%.

17 LAND USE RIGHTS

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

	Group	
	2012	2011
	US$'000	US$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**1,290**	1,313
Leases of between 10 and 50 years	**72,712**	25,755
	74,002	27,068

	2012	2011
	US$'000	US$'000
At 1st January	**27,068**	27,408
Exchange differences	**961**	303
Additions	**46,144**	—
Transfer from property, plant and equipment (Note 16)	**1,615**	—
Disposal	**(341)**	—
Amortisation charge (Note 8)	**(1,445)**	(643)
At 31st December	**74,002**	27,068

Amortisation charge of US$1,445,000 (2011: US$643,000) has been charged in "cost of sales" in the consolidated income statement.

Notes to the Consolidated Financial Statements

18 INVESTMENT PROPERTIES

	Group 2012 US$'000	2011 US$'000
At 1st January	**38,127**	28,246
Transfer from property, plant and equipment	**—**	7,080
Fair value gains on revaluation — net (Note 7)	**51**	2,801
At 31st December	**38,178**	38,127

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 2012 US$'000	2011 US$'000
Outside Hong Kong, held on:		
Freehold land	**10,288**	10,140
Lease of between 10 and 50 years	**27,890**	27,987
	38,178	38,127

The Group leases out some of the investment properties under operating leases, for a period of one to four years. Rental income from these investment properties for the year is of US$2,505,000 (2011: US$2,623,000).

The investment properties were revalued as at 31st December 2012 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 2012 US$'000	2011 US$'000
Investments, unlisted shares, at cost (Note (ii))	**59,066**	59,066
Amounts due from subsidiaries	**947,643**	976,042
	1,006,709	1,035,108
Less: Non-current portion (Note (i))	**(917,230)**	(914,759)
Current portion	**89,479**	120,349

Notes to the Consolidated Financial Statements

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

Notes:

(i) As at 31st December 2012 and 2011, 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.

(ii) Investments in subsidiaries are recorded at cost, which were the fair value of consideration paid.

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 2012 are as follows:

Name	**Place of incorporation/ establishment** (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 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 New taiwan dollar 10 each	100%
TPV Electronics (Fujian) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of US$45,000,000	100%
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited[1] (Note (b))	The PRC, limited liability company	Trading of computer monitors and flat TVs	Paid-in capital of US$3,000,000	100%
TPV Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$16,880,000	100%
TPV Display Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$27,000,000	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 Renminbi ("RMB") 80,000,000	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%
TPV International (USA), Inc.	USA	Sales and distribution of computer monitors and flat TVs	1,000,000 ordinary shares of US$1 each	100%

Notes to the Consolidated Financial Statements

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

Name	Place of incorporation/ establishment (Note (a))	Principal activities	Particulars of issued share capital/registered capital	Interest held
Shares indirectly held by the Company: (Continued)				
Envision Indústria de Productos Electrônicos 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 Displays Polska Sp. z o.o.	Poland	Production and sales of computer monitors and flat TVs	253,600 ordinary shares of Poland zloty 500 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 RMB20,000,000	100%
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 RMB20,000,000	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) 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 New taiwan dollar 152,500,000	51%
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%
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$19,679,857	100%
TPV do Brazil Indústria de Eletrônicos Ltda.	Brazil	Production and sales of computer monitors and flat TVs components	Paid-in capital of Brazilian real $6,650,000	99.81%
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%
TP Televisión Ibérica Spain, S.L.	Spain	Sales and distribution of TVs	Paid-in capital of EUR34,100	70%

Notes to the Consolidated Financial Statements

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

Name	Place of incorporation/ establishment (Note (a))	Principal activities	Particulars of issued share capital/registered capital	Interest held
Shares indirectly held by the Company: (Continued)				
TP Vision Belgium N.V.	Belgium	Production, sales and distribution of TVs	Paid-in capital of EUR5,500,000	70%
TP Vision Czech Republic s.r.o.	Czech	Sales and distribution of TVs	Paid-in capital of Czech koruna 9,783,000	70%
TP Vision Finland Oy	Finland	Sales and distribution of TVs	Share capital EUR2,500	70%
TP Vision France SAS	France	Sales and distribution of TVs	Paid-in capital of EUR724,000	70%
TP Vision Germany GmbH	Germany	Sales and distribution of TVs	Paid-in capital of EUR501,000	70%
TP Vision Holding B.V.	The Netherlands	Sales and distribution of TVs	18,000 ordinary shares of EUR1 each	70%
TP Vision Hong Kong Limited	Hong Kong	Sales and distribution of TVs	926,338 ordinary shares of HK$1 each	70%
TP Vision Hungary Ltd	Hungary	Sales and distribution of TVs	Paid-in capital of EUR4,500,272	70%
TP Vision Indústria Eletrônica Ltda.	Brazil	Production, sales and distribution of TVs	Paid-in capital of Brazilian real 211,725,159	70%
TP Vision Italy S.r.l.	Italy	Sales and distribution of TVs	Paid-in capital of EUR200,000	70%
TP Vision Singapore Pte. Ltd.	Singapore	Production, sales and distribution of TVs	Paid-in capital of Singapore dollar 8,300,000	70%
TP Vision Sweden AB	Sweden	Sales and distribution of TVs	Share capital Swedish krona 50,000	70%
TP Vision Switzerland AG	Switzerland	Sales and distribution of TVs	Paid-in capital of Swiss Franc 200,000	70%
TP Vision Eurasia LLC	Russia	Sales and distribution of TVs	Paid-in capital of Russian ruble 46,000,000	70%
Three Titans Technology (Xiamen) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of flat TVs components	Paid-in capital of US$11,000,000	86.36%
AOC Holdings 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.

Notes to the Consolidated Financial Statements

20 INVESTMENTS IN ASSOCIATES

	Group 2012 US$'000	2011 US$'000
At 1st January	**31,470**	30,276
Exchange differences	**308**	1,377
Additions	**—**	6,250
Additions arisen from business combination (Note 41(a))	**649**	—
Dividends	**(1,843)**	(2,849)
Share of profit/(loss) charged to consolidated income statement	**6,203**	(3,584)
At 31st December	**36,787**	31,470

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

Name	Particulars of issued shares held/registered capital	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
2012							
Envision Peripherals, Inc.	3,520,700 ordinary shares with no par value	USA	**24,079**	**(22,097)**	**52,741**	**225**	**24%**
L&T Display Technology (Fujian) Limited[1] (Note (b))	Paid-in capital of US$17,000,000	The PRC	**119,669**	**(99,801)**	**435,626**	**5,639**	**49%**
L&T Display Technology (Xiamen) Limited[1] (Note (b))	Paid-in capital of US$12,000,000	The PRC	**19,230**	**(19,612)**	**3,954**	**(2,174)**	**49%**
CPT TPV Optical (Fujian) Company Limited[1] (Note (b))	Paid-in capital of US$22,500,000	The PRC	**9,775**	**(2,304)**	**5,069**	**97**	**20%**
Evertop (Fujian) Optoelectronics Company Limited[1] (Note (b))	Paid-in capital of US$25,000,000	The PRC	**12,308**	**(5,635)**	**11,095**	**95**	**25%**

Notes to the Consolidated Financial Statements

20 INVESTMENTS IN ASSOCIATES (Continued)

Name	Particulars of issued shares held/registered capital	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	USA	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%

[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.

There are no contingent liabilities relating to Group's interest in associates except for those disclosed in Note 39.

The Group has not recognised losses amounting to US$2,174,000 (2011: US$621,000) for L&T Display Technology (Xiamen) Limited. The accumulated losses not recognised were US$2,795,000.

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group 2012 US$'000	2011 US$'000
At 1st January	**9,764**	11,020
Exchange differences	**114**	(348)
Share of loss charged to consolidated income statement	**(1,570)**	(908)
Business combination achieved by stage (Note 41(c))	**(6,527)**	—
At 31st December	**1,781**	9,764

Notes to the Consolidated Financial Statements

21 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The Group's share of the result of its principal jointly controlled entity, which is unlisted, and its aggregated assets and liabilities, are as follows:

Name	Particulars of issued shares held/registered capital	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
2012							
Three Titans Technology (Xiamen) Co., Ltd[1]	Paid-in capital of US$11,000,000	The PRC	**—**	**—**	**44,327**	**1,036**	**86.36%** Note (b)
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	**1,794**	**(13)**	**38**	**(2,606)**	**49%**

Name	Particulars of issued shares held/registered capital	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							
Three Titans Technology (Xiamen) Co., Ltd[1]	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%

[1] English translation is for identification purpose only.

Notes:

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

(b) The jointly controlled entity has become a subsidiary of the Group on 1st October 2012 (Note 41(c)).

There are no contingent liabilities relating to the Group's interest in jointly controlled entities.

Notes to the Consolidated Financial Statements

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012	2011
	US$'000	US$'000
At 1st January	**734**	2,155
Exchange differences	**19**	13
Additions	**—**	824
Net gains/(losses) transferred to equity (Note 29)	**407**	(1,778)
Impairment losses charged to consolidated income statement (Note 7)	**(2)**	(480)
At 31st December	**1,158**	734

Impairment losses of US$2,000 (2011: US$480,000) has been charged in "other gains — net" in the consolidated income statement.

Available-for-sale financial assets include the following:

	Group	
	2012	2011
	US$'000	US$'000
Listed securities:		
— Equity securities — Taiwan	**708**	301
Unlisted securities		
— Equity securities — Taiwan	**450**	433
	1,158	734
Market value of listed securities	**708**	301

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

	Group	
	2012	2011
	US$'000	US$'000
US dollar	**15**	17
New taiwan dollar	**1,143**	717
	1,158	734

Notes to the Consolidated Financial Statements

23 INVENTORIES

	Group 2012 US$'000	2011 US$'000
Raw materials	**482,276**	360,645
Work-in-progress	**119,000**	41,333
Finished goods	**852,444**	605,998
Production supplies	**2,229**	2,347
	1,455,949	1,010,323

The cost of inventories recognised as expense and included in "cost of sales" amounted to US$10,369,245,000 (2011: US$9,887,755,000).

The Group provided inventory provision of US$3,790,000 (2011: reversed inventory provision of US$22,581,000) during the year. The amount provided/(reversed) has been included in "cost of sales" in the consolidated income statement.

24 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group 2012 US$'000	2011 US$'000
Non-current		
Prepayments and other receivables	**56,814**	14,705
Current		
Trade receivables	**2,341,761**	2,413,710
Less: Provision for impairment of trade receivables	**(22,335)**	(15,183)
Trade receivables, net	**2,319,426**	2,398,527
Deposits	**6,088**	5,129
Prepayments	**58,844**	27,041
Other receivables		
— Value-added tax recoverable	**297,886**	222,174
— Receivables from disposal of land use right	**—**	64,762
— Others	**211,405**	79,765
Current portion — Trade receivables, deposits, prepayments and other receivables	**2,893,649**	2,797,398
Total	**2,950,463**	2,812,103

As at 31st December 2012, included within non-current receivables is an amount of US$49,672,000 which relates to cash placed in an escrow account for certain consumer care obligations arising in the TP Vision Group as set out in Trademark License Agreement between TP Vision Group and Koninklijke Philips Electronics N.V. ("Philips"). The receivables is classified as non-current as the related obligations fall due in more than one year.

Notes to the Consolidated Financial Statements

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

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 2012 and 2011, the ageing analysis of the gross trade receivables based on invoice date was as follows:

	Group	
	2012	2011
	US$'000	US$'000
0–30 days	**1,220,302**	1,108,577
31–60 days	**689,300**	847,772
61–90 days	**303,201**	351,597
91–120 days	**67,938**	61,739
Over 120 days	**61,020**	44,025
	2,341,761	2,413,710

The Group's credit risk control and the analysis of concentration of credit risk are disclosed in Note 3.

As at 31st December 2012, trade receivables of US$176,852,000 (2011: US$56,503,000) 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:

	2012	2011
	US$'000	US$'000
1–90 days	**145,881**	44,473
91–120 days	**4,168**	1,206
Over 120 days	**26,803**	10,824
	176,852	56,503

Notes to the Consolidated Financial Statements

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

As at 31st December 2012, trade receivables of US$27,129,000 (2011: US$15,183,000) were impaired. The amount of the provision was US$22,335,000 as at 31st December 2012 (2011: US$15,183,000). The individually impaired receivables mainly relate to a balance due from an associate of US$13,240,000 and a number of other customers, which are in unexpectedly difficult economic situations. The ageing of these impaired receivables is as follows:

	2012	2011
	US$'000	US$'000
Current	**—**	5,639
1–120 days	**1,751**	7,595
Over 120 days	**25,378**	1,949
	27,129	15,183

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

	Group	
	2012	2011
	US$'000	US$'000
Renminbi	**982,776**	656,493
US dollar	**880,805**	1,695,450
Euro	**433,182**	64,387
Brazilian real	**245,635**	212,718
Russian ruble	**151,423**	57,371
Polish zloty	**70,421**	60,920
Indian rupee	**43,391**	10,449
Turkish lira	**41,880**	—
Mexican peso	**18,703**	21,831
New taiwan dollar	**15,516**	18,324
Swedish krona	**12,927**	914
Ukrainian hryvnia	**10,449**	—
Other currencies	**43,355**	13,246
	2,950,463	2,812,103

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

	2012	2011
	US$'000	US$'000
At 1st January	**15,183**	1,785
Provision for impairment of receivables (Note 8)	**8,390**	15,022
Receivables written off during the year as uncollectible	**(1,238)**	(1,624)
At 31st December	**22,335**	15,183

Notes to the Consolidated Financial Statements

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

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated 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 receivables, deposits, prepayments 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 receivables mentioned above.

The Group does not hold any collateral as security.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	US$'000	US$'000
Listed securities, at market value:		
— Equity securities — Singapore	**—**	169
— Equity securities — Taiwan	**4,153**	5,686
	4,153	5,855

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

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 consolidated income statement (Note 7).

26 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**485,492**	233,601	**413**	361
Short-term bank deposits	**12,379**	69,736	**—**	—
	497,871	303,337	**413**	361
Pledged bank deposits (Note 36)	**3,865**	7,209	**—**	—
	501,736	310,546	**413**	361
Maximum exposure to credit risk	**501,607**	310,407	**413**	361

Notes to the Consolidated Financial Statements

26 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Euro	**265,321**	11,555	**—**	—
US dollar	**72,745**	97,196	**141**	177
Renminbi	**44,464**	181,718	**1**	1
Brazilian real	**27,058**	9,095	**—**	—
Other currencies	**92,148**	10,982	**271**	183
	501,736	310,546	**413**	361

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

	2012	2011
	US$'000	US$'000
Authorised:		
4,000,000,000 (2011: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2011: 2,345,636,139) ordinary shares of US$0.01 each	**23,456**	23,456

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

	2012		2011	
	Number of issued ordinary shares of US$0.01 each	**Par value US$'000**	Number of issued ordinary shares of US$0.01 each	Par value US$'000
At 1st January	**2,345,636,139**	**23,456**	2,345,836,139	23,458
Repurchase of shares	**—**	**—**	(200,000)	(2)
At 31st December	**2,345,636,139**	**23,456**	2,345,636,139	23,456

Notes to the Consolidated Financial Statements

28 SHARE-BASED PAYMENTS

Share options are granted to selected directors and employees. Under the share option scheme granted on 12th December 2007 ("2007 Scheme"), the vesting period is three years, with an exercise price at HK$5.750 per share, and expiry date on 11th December 2012.

Under another share option scheme which granted on 18th January 2011 ("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:

	2012		2011	
	Average exercise price in HK$ per share option	**Number of Options (thousands)**	Average exercise price in HK$ per share option	Number of Options (thousands)
At 1st January	**5.241**	**64,218**	5.750	20,668
Granted	**—**	**—**	5.008	45,000
Expired (note (i))	**5.750**	**(20,138)**	—	—
Lapsed (note (i))	**5.008**	**(4,000)**	5.279	(1,450)
At 31st December	**5.008**	**40,080**	5.241	64,218

Out of the 40,080,000 outstanding options (2011: 64,218,000 options), 10,020,000 options were exercisable as at 31st December 2012 (2011: 20,138,026 options). No option was exercised during the year (2011: Nil).

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)**	
		2012	2011
Expiry date			
11th December 2012 (note (i))		**—**	20,138
17th January 2021 (note (ii))	5.008	**40,080**	44,080
		40,080	64,218

The fair value of options granted of 2011 Scheme 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% per annum, a forfeiture rate of 3.28% and a risk-free interest rate of 2.73% per annum. 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 recognised as "employee benefit expenses" in the consolidated income statement (Note 9).

Notes:

(i) During the year, 4,000,000 (2011: 1,450,000) share options were lapsed as a result of the cessation of employment of certain employees, and 20,138,000 share options under 2007 Scheme were expired on expiry date of 11th December 2012.

(ii) 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 from 18th January 2015 to 17th January 2021 are 25%, 50%, 75% and 100%, respectively.

Notes to the Consolidated Financial Statements

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$'000	Convertible bonds US$'000	Other reserves US$'000	Retained earnings US$'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 losses on available-for-sale financial assets, net of tax	—	—	—	—	—	—	—	(1,778)	—	—	—	—	(1,778)
Currency translation differences													
— Group	—	—	—	—	(41,295)	—	—	—	—	—	—	—	(41,295)
— Associates and jointly controlled entities	—	—	—	—	1,029	—	—	—	—	—	—	—	1,029
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:													
— Employee share-based compensation benefits	—	—	—	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 (Note 14)													21,345
													1,807,219

Notes to the Consolidated Financial Statements

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$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000
At 1st January 2012	759,464	68,202	12	15,860	(23,569)	74,071	10,001	(1,743)	7,854	(9,423)	906,490	1,807,219
Fair value gain on available-for-sale financial assets, net of tax	—	—	—	—	—	—	—	407	—	—	—	407
Currency translation differences												
— Group	—	—	—	—	(31,384)	—	—	—	—	—	—	(31,384)
— Associates and jointly controlled entities	—	—	—	—	422	—	—	—	—	—	—	422
Profit for the year	—	—	—	—	—	—	—	—	—	—	111,916	111,916
Transfer from retained earnings	—	—	—	—	—	8,364	—	—	—	—	(8,364)	—
Employee share option scheme:												
— Employee share-based compensation benefits	—	—	—	2,475	—	—	—	—	—	—	—	2,475
Actuarial loss on pension obligation	—	—	—	—	—	—	—	—	—	—	(175)	(175)
Redemption liability for written put option over shares in a subsidiary	—	—	—	—	—	—	—	—	—	(5,069)	—	(5,069)
Dividends paid:												
— 2011 final	—	—	—	—	—	—	—	—	—	—	(21,345)	(21,345)
— 2012 interim	—	—	—	—	—	—	—	—	—	—	(10,789)	(10,789)
At 31st December 2012	759,464	68,202	12	18,335	(54,531)	82,435	10,001	(1,336)	7,854	(14,492)	977,733	1,853,677
Represented by:												
Other reserves												1,830,924
Proposed final dividend (Note 14)												22,753
												1,853,677

Notes to the Consolidated Financial Statements

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 US$'000	Retained earnings US$'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:							
— Employee share-based compensation benefits	—	—	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

	Company					
	Share premium US$'000	**Share redemption reserve US$'000**	**Employee share-based compensation reserve US$'000**	**Contributed surplus (Note (c)) US$'000**	**Retained earnings US$'000**	**Total US$'000**
At 1st January 2012	**759,464**	**12**	**15,860**	**11,433**	**124,082**	**910,851**
Profit for the year	**—**	**—**	**—**	**—**	**19,939**	**19,939**
Employee share option scheme:						
— Employee share-based compensation benefits	**—**	**—**	**2,475**	**—**	**—**	**2,475**
Dividends paid:						
— 2011 final	**—**	**—**	**—**	**—**	**(21,345)**	**(21,345)**
— 2012 interim	**—**	**—**	**—**	**—**	**(10,789)**	**(10,789)**
At 31st December 2012	**759,464**	**12**	**18,335**	**11,433**	**111,887**	**901,131**

Represented by:	
Other reserves	**878,378**
Proposed final dividend (Note 14)	**22,753**
	901,131

Notes to the Consolidated Financial Statements

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 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 “Reorganisation”), 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 Reorganisation 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.

30 BORROWINGS AND LOANS

	Group		Company	
	2012	2011	**2012**	2011
	US$’000	US$’000	**US$’000**	US$’000
Non-current				
Notes payable (Note (a))	**79,549**	78,163	**79,549**	78,163
Bank borrowings	**15,862**	—	**—**	—
Subordinated loans (Note (b))	**184,074**	—	**—**	—
	279,485	78,163	**79,549**	78,163
Current				
Bank overdraft	**4,611**	—	**—**	—
Bank borrowings (Note (b))	**138,256**	362,000	**—**	20,000
	142,867	362,000	**—**	20,000
Total borrowings and loans	**422,352**	440,163	**79,549**	98,163

(a) Unsecured RMB denominated note payable was issued on 21st March 2011 at a total nominal value of RMB500,000,000, bears interest at a rate of 4.25% per annum and matures in three years from the issue date. The carrying amount of the note payable, net of transaction costs of US$1,582,000, was determined at issuance of the note payable. The carrying amount of note payables approximates its fair value.

Notes to the Consolidated Financial Statements

30 BORROWINGS AND LOANS (Continued)

(b) Subordinated loans represent loans provided by Philips, including term loan to the Group and shareholder loan to TP Vision Group pursuant to the Term Loan Agreement and the Shareholders' Loan Agreement both dated 1st April 2012.

The fair value of the bank overdraft, bank borrowings and subordinated loans approximate their carrying amounts which bear interest at floating rates that are market dependant.

As at 31st December 2012, the Group's and the Company's borrowings and loans were repayable as follows:

	Group				Company			
	Bank borrowings and subordinated loans		Notes payable		Bank borrowings		Notes payable	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within one year	**142,867**	362,000	**—**	—	**—**	20,000	**—**	—
Between one and two years	**9,095**	—	**79,549**	—	**—**	—	**79,549**	—
Between two and five years	**190,841**	—	**—**	78,163	**—**	—	**—**	78,163
Wholly repayable within five years	**342,803**	362,000	**79,549**	78,163	**—**	20,000	**79,549**	78,163

The effective interest rates per annum at the reporting date were as follows:

	2012	2011
Bank borrowings	**1.03%–7.68%**	1.05%–6.67%
Notes payable	**5.04%**	5.02%
Subordinated loans	**2.39%–3.99%**	Not applicable

The exposure of the Group's borrowings and loans to interest rate change at 31st December 2012 is disclosed in Note 3.

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

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
US dollar	**131,608**	342,013	**—**	20,000
Euro	**184,074**	—	**—**	—
Renminbi	**96,467**	78,163	**79,549**	78,163
Polish zloty	**—**	19,987	**—**	—
Turkish lira	**10,203**	—	**—**	—
Total borrowings and loans	**422,352**	440,163	**79,549**	98,163

Notes to the Consolidated Financial Statements

30 BORROWINGS AND LOANS (Continued)

As at 31st December 2012, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2012	2011
	US$'000	US$'000
Total available and undrawn facilities	**2,896,898**	2,638,911

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	
	2012	2011
	US$'000	US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**21,182**	7,595
— Deferred income tax assets to be recovered within 12 months	**46,266**	13,484
	67,448	21,079
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	**(1,020)**	(737)
— Deferred income tax liabilities to be settled within 12 months	**(10,870)**	(9,041)
	(11,890)	(9,778)
Deferred income tax assets (net)	**55,558**	11,301

The gross movements on the deferred income tax account are as follows:

	2012	2011
	US$'000	US$'000
At 1st January	**11,301**	1,423
Exchange differences	**876**	—
Additions arisen from business combination	**3,483**	—
Income tax credit (Note 11)	**39,849**	10,474
Deferred tax expense credited/(charged) to equity	**49**	(596)
At 31st December	**55,558**	11,301

Notes to the Consolidated Financial Statements

31 DEFERRED INCOME TAX (Continued)

The nature of items giving rise to deferred tax assets and their respective movements during the year without taking into consideration the offsetting of balances within the same tax justification are as follows:

	Provisions and licence fee payable		Pension obligations		Unrealised profits on inventories		Tax losses		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**10,090**	13,156	**1,395**	1,322	**—**	—	**11,949**	2,022	**—**	—	**23,434**	16,500
Exchange differences	**112**	—	**1**	—	**1**	—	**—**	—	**338**	—	**452**	—
Additions arisen from business combination	**23,991**	—	**—**	—	**—**	—	**—**	—	**5,687**	—	**29,678**	—
Credited/(charged) to consolidated income statement	**26,021**	(3,066)	**47**	73	**4,304**	—	**(6,469)**	9,927	**13,143**	—	**37,046**	6,934
Credited to equity	**—**	—	**15**	—	**—**	—	**—**	—	**—**	—	**15**	—
At 31st December	**60,214**	10,090	**1,458**	1,395	**4,305**	—	**5,480**	11,949	**19,168**	—	**90,625**	23,434

The nature of items giving rise to deferred tax liabilities and their respective movements 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		Intangible asset		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**(120)**	(309)	**(1,234)**	(7,240)	**(1,918)**	(1,200)	**(8,861)**	(6,328)	**—**	—	**—**	—	**(12,133)**	(15,077)
Exchange differences	**—**	—	**—**	—	**—**	—	**(10)**	—	**470**	—	**(36)**	—	**424**	—
Additions arisen from business combination	**—**	—	**—**	—	**—**	—	**—**	—	**(26,195)**	—	**—**	—	**(26,195)**	—
Credited/(charged) to consolidated income statement	**120**	189	**830**	6,006	**(15)**	(122)	**(1,999)**	(2,533)	**5,055**	—	**(1,188)**	—	**2,803**	3,540
(Charged)/credited to equity	**—**	—	**—**	—	**—**	(596)	**—**	—	**—**	—	**34**	—	**34**	(596)
At 31st December	**—**	(120)	**(404)**	(1,234)	**(1,933)**	(1,918)	**(10,870)**	(8,861)	**(20,670)**	—	**(1,190)**	—	**(35,067)**	(12,133)

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$182,344,000 (2011: US$176,523,000) that can be carried forward against future taxable income. Losses amounting to US$86,416,000 (2011: US$77,761,000) expire from 2013 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$412,739,000 at 31st December 2012 (2011: US$335,819,000).

Notes to the Consolidated Financial Statements

32 PENSION OBLIGATIONS

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

The Group's assets and liabilities of the defined benefit plans are held independently in separate trustee administered funds. The Group's major defined benefit plans are valued annually by qualified independent actuaries, Actuarial Consulting Co. Ltd and Mercer (Hong Kong) Limited, using the project unit credit method.

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

	2012	2011
	US$'000	US$'000
Present value of funded obligations	**14,517**	8,048
Fair value of plan assets	**(4,146)**	(668)
	10,371	7,380
Present value of unfunded obligations	**8,839**	—
Unrecognised past service cost	**703**	—
Unrecognised actuarial losses	**(2,726)**	(1,363)
Liability in the consolidated balance sheet	**17,187**	6,017

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

	2012	2011
	US$'000	US$'000
Current service cost	**702**	314
Interest cost	**670**	169
Expected return on plan assets	**(106)**	(19)
Past service cost	**(44)**	—
Charges for long term service awards	**228**	—
Net actuarial losses	**—**	168
Total expenses, included in employee benefit expenses (Note 9)	**1,450**	632

Of the total charge, US$1,450,000 (2011: US$632,000) were included in "administrative expenses".

Notes to the Consolidated Financial Statements

32 PENSION OBLIGATIONS (Continued)

Movements in the pension obligations over the year are as follows:

	2012 US$'000	2011 US$'000
At 1st January	**8,048**	9,744
Exchange differences	**(26)**	(350)
Additions arisen from business combination	**19,013**	—
Current service cost	**702**	314
Interest cost	**670**	169
Benefit paid	**(1,352)**	(585)
Employee contributions	**92**	—
Actuarial losses/(gains)	**1,571**	(1,244)
Others (Note)	**(5,362)**	—
At 31st December	**23,356**	8,048

Note: Others comprises primarily amounts acquired through the business combination which were subsequently released following the announcement of the closure of that location. This release was netted in the consolidated income statement against related charges.

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

	Group 2012 US$'000	 2011 US$'000
At 1st January	**668**	1,072
Exchange differences	**(43)**	(32)
Additions arisen from business combination	**4,146**	—
Expected return on plan assets	**106**	19
Contributions	**656**	202
Benefit paid	**(1,352)**	(585)
Actuarial losses	**(35)**	(8)
At 31st December	**4,146**	668

Of the total actuarial losses, US$243,000 (2011: Nil) were recognised in other comprehensive income for the year. The total cumulative amount of net actuarial losses recognised was of US$243,000 (2011: Nil).

The principal actuarial assumptions used are as follows:

	2012	2011
Discount rates	**1.50%–5.81%**	1.75%
Expected rates of return on plan assets	**1.50%–3.32%**	1.75%
Expected rates of future salary increment	**3.50%–5.18%**	3.50%

Notes to the Consolidated Financial Statements

32 PENSION OBLIGATIONS (Continued)

	2012	2011	2010	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000
Present value of defined benefit obligation	**(23,356)**	(8,048)	(9,744)	(6,963)	(6,662)
Fair value of plan assets	**4,146**	668	1,072	905	1,029
Deficit in the plan	**(19,210)**	(7,380)	(8,672)	(6,058)	(5,633)
Experience adjustments	**(1,191)**	1,236	(1,623)	(109)	733

33 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Non-current				
License fee payable	**198,770**	33,649	**—**	—
Contingent consideration payable	**13,582**	—	**—**	—
Accrued employee benefits	**4,275**	6,063	**—**	—
Redemption liability for written put option over shares in a subsidiary (Note 41(a))	**5,069**	—		
Others	**1,756**	1,635	**—**	—
	223,452	41,347	**—**	—
Current				
Trade payables	**2,370,845**	2,034,840	**—**	—
Other payables and accruals				
— Accrued employee benefits	**126,657**	80,462	**189**	180
— Accrued operating expenses	**195,762**	75,748	**2,850**	2,926
— Duty and tax payable other than income tax	**176,742**	57,139	**—**	—
— Deferred brand promotion fee income (Note 41(a))	**20,268**	—	**—**	—
— License fee payable	**63,750**	21,671	**—**	—
— Payables under discounting arrangement	**363,583**	319,993	**—**	—
— Payables for purchase of property, plant and equipment	**115,611**	75,192	**—**	—
— Others	**207,221**	157,266	**—**	—
	3,640,439	2,822,311	**3,039**	3,106
Total	**3,863,891**	2,863,658	**3,039**	3,106

Notes to the Consolidated Financial Statements

33 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

At 31st December 2012, the ageing analysis of trade payables based on invoice date was as follows:

	Group 2012 US$'000	2011 US$'000
0–30 days	**803,429**	781,925
31–60 days	**889,770**	614,787
61–90 days	**332,457**	283,727
Over 90 days	**345,189**	354,401
	2,370,845	2,034,840

The carrying amounts of trade payables, other payables and accruals approximate their fair values.

The carrying amounts of trade payables, other payables and accruals are denominated in the following currencies:

	Group 2012 US$'000	2011 US$'000
US dollar	**2,794,335**	2,355,370
Euro	**535,481**	7,890
Renminbi	**254,787**	341,793
Brazilian real	**112,485**	80,976
New taiwan dollar	**40,028**	40,582
Mexican peso	**27,749**	1,275
Russian ruble	**23,772**	1,307
Polish zloty	**18,619**	30,002
Turkish lira	**12,418**	16
Other currencies	**44,217**	4,447
	3,863,891	2,863,658

34 WARRANTY AND OTHER PROVISIONS

			Group		
	2012	**2012**	**2012**	**2012**	2011
	Warranty provision US$'000	**Restructuring provision US$'000**	**Other provision US$'000**	**Total US$'000**	Warranty provision and total US$'000
At 1st January	**71,325**	**—**	**—**	**71,325**	70,312
Exchange differences	**604**	**1,270**	**2**	**1,876**	—
Charged to consolidated income statement (Note 8)	**131,174**	**45,443**	**93**	**176,710**	92,432
Utilised during the year	**(108,639)**	**(6,340)**	**—**	**(114,979)**	(91,419)
At 31st December	**94,464**	**40,373**	**95**	**134,932**	71,325

Notes to the Consolidated Financial Statements

34 WARRANTY AND OTHER PROVISIONS (Continued)

Analysis of warranty and other provisions:

	2012 US$'000	2011 US$'000
— Non-current liabilities	**1,585**	—
— Current liabilities	**133,347**	71,325
Total	**134,932**	71,325

The Group provides 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 on average. The provision as of 31st December 2012 had been made for expected warranty claims on products sold during the last thirty-six months. It is expected that the majority of this provision will be utilised in the next twelve months, and all will be utilised in the next thirty-six months.

A provision of US$40,373,000 was recognised in respect of the restructuring of TV business of TP Vision Group as at 31st December 2012. The restructuring was still in process as at 31st December 2012.

35 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2012		2011	
	Assets US$'000	**Liabilities US$'000**	Assets US$'000	Liabilities US$'000
Foreign exchange forward contracts and options (Note (a))	**11,411**	**(59,237)**	33,530	(19,264)
Interest rate swaps (Note (b))	**74**	**—**	627	(5,266)
Cross currency swaps (Note (c))	**4,067**	**(4,165)**	1,683	(320)
	15,552	**(63,402)**	35,840	(24,850)
Less non-current portion:				
— Foreign exchange forward contracts and options (Note (a))	**62**	**(28)**	—	—
— Cross currency swaps (Note (c))	**2,777**	**—**	—	—
Non-current portion	**2,839**	**(28)**	—	—
Current portion	**12,713**	**(63,374)**	35,840	(24,850)

Changes in fair values of derivative financial instruments are recorded in "other gains - net" in the consolidated income statement (Note 7).

Notes to the Consolidated Financial Statements

35 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Foreign exchange forward contracts and options

The total notional principal amounts of the outstanding foreign exchange forward contracts as at 31st December 2012 are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Sell Renminbi for US dollar	**557,680**	3,301,192
Sell US dollar for Renminbi	**553,000**	2,710,000
Sell Japanese yen for US dollar	**1,500**	3,640
Sell Euro for US dollar	**863,486**	178,665
Sell Brazilian real for US dollar	**268,150**	77,900
Sell Indian rupee for US dollar	**75,500**	22,000
Sell Polish zloty for US dollar	**40,000**	—
Sell Russian ruble for US dollar	**229,298**	—
Sell Mexican peso for US dollar	**5,400**	—
Sell British pound for US dollar	**20,057**	—
Sell US dollar for Russian ruble	**—**	15,000
Sell US dollar for New taiwan dollar	**850**	17,000
Sell US dollar for Euro	**6,000**	—
Sell Euro for Singapore dollar	**7,363**	—
Sell Euro for Hungarian forint	**5,912**	—
Sell Euro for Swedish krona	**2,115**	—
Sell Euro for Danish krone	**1,418**	—
Sell Euro for Norwegian krone	**1,037**	—
Sell Euro for Czech koruna	**672**	—
Sell Polish zloty for Euro	**28,356**	—
Sell Swiss franc for Euro	**27,335**	—
Sell Russian ruble for Euro	**27,050**	—
Sell Hungarian forint for Euro	**8,107**	—
Sell British pound for Euro	**8,008**	—
Sell Singapore dollar for Euro	**6,888**	—
Sell Czech koruna for Euro	**6,210**	—
Sell Danish krone for Euro	**5,701**	—
Sell Norwegian krone for Euro	**2,235**	—
Sell Swedish krona for Euro	**298**	—

The total notional principal amount of the outstanding options as at 31st December 2012 were US$7,957,000 (2011: Nil).

(b) Interest rate swaps

The total notional principal amount of the outstanding interest rate swaps as at 31st December 2012 was US$40,000,000 (2011: US$213,000,000).

Notes to the Consolidated Financial Statements

35 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(c) Cross currency swaps

The total notional principal amount of the outstanding cross currency swaps as at 31st December 2012 was US$630,252,000 (2011: US$69,277,000).

36 PLEDGE OF ASSETS

As at 31st December 2012, the Group's bank deposits of US$3,865,000 (2011: US$7,209,000) was pledged as security mainly for banking facilities of the Group.

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations

	2012 **US$'000**	2011 US$'000
Operating profit	**167,535**	148,752
Depreciation of property, plant and equipment	**129,557**	109,285
Amortisation of land use rights	**1,445**	643
Amortisation of intangible assets	**58,387**	13,984
Gains from bargain purchase of subsidiaries	**(25,639)**	(610)
Gains on disposal of land use rights	**(87)**	(80,078)
Losses on disposal of property, plant and equipment (Note (i))	**411**	10,227
Share options granted to a director and employees	**2,475**	4,968
Unrealised losses/(gains) on derivative financial instruments	**57,840**	(7,724)
Fair value loss of derivative financial instrument	**6,037**	—
Fair value gains on revaluation of investment properties	**(51)**	(2,801)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(424)**	1,316
Losses on disposal of financial assets at fair value through profit or loss	**36**	26
Impairment losses on available-for-sale financial assets	**2**	480
Impairment losses on property, plant and equipment	**7,725**	287
Operating profit before working capital changes	**405,249**	198,755
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— trade receivables	**74,171**	(223,113)
— deposits, prepayments and other receivables	**(160,881)**	52,744
— inventories	**(261,342)**	279,128
— trade payables	**334,181**	(198,966)
— warranty and other provisions, other payables and accruals and pension obligations	**286,535**	14,358
Net cash generated from operations	**677,913**	122,906

Notes to the Consolidated Financial Statements

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Note (i):

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2012 **US$'000**	2011 US$'000
Net book amount (Note 16)	**4,738**	11,964
Loss on disposal of property plant and equipment	**(411)**	(10,227)
Proceeds from disposal of property, plant and equipment	**4,327**	1,737

38 CORPORATE GUARANTEES

	Group		Company	
	2012 **US$'000**	2011 US$'000	**2012** **US$'000**	2011 US$'000
Guarantees in respect of banking facilities granted to:				
— subsidiaries	**—**	—	**3,356,109**	3,148,013
— associate	**—**	16,570	**—**	—
	—	16,570	**3,356,109**	3,148,013
Guarantees in respect of trade payables:				
— subsidiaries	**—**	—	**140,875**	18,000

39 CONTINGENT LIABILITIES

The Group has a number of legal and other proceedings at 31st December 2012. The directors are of the opinion that even if the outcome of the following litigations and complaints turn out to be unfavourable, their future settlement, in aggregate, may not have any material financial impact on the Group as a whole.

(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 monitor ("Patent I").

The directors are of the opinion that while the arbitration proceedings are still ongoing, 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").

Notes to the Consolidated Financial Statements

39 CONTINGENT LIABILITIES (Continued)

(b) (Continued)

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.

(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; and

(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.

On 26th April 2012, the complaint was dismissed according to the Court's Order. The directors consider that the dismissal does not have any material financial impact on the Group as a whole.

Notes to the Consolidated Financial Statements

39 CONTINGENT LIABILITIES (Continued)

(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 ongoing, 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.

On 17th October 2012, the investigation was terminated according to the Order of the U.S. International Trade Commission. The directors consider that the termination does not have any material financial impact on the Group as a whole.

(h) In June 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain monitors and televisions ("Patent V").

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 V, and contributing to and actively inducing the infringement of Patent V by others in the United States of America; and

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

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

(i) In July 2012, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent VI").

Notes to the Consolidated Financial Statements

39 CONTINGENT LIABILITIES (Continued)

(i) (Continued)

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 VI, and contributing to and actively inducing the infringement of Patent VI by others in the United States of America; and

(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 VI.

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

(j) In 2011, a claim was made by a third party seeking repossession of a relatively small piece of land now owned by TP Vision Group in Manaus, Brazil. The matter is currently under consideration by the legal authorities. Under the terms of the Share Purchase Agreement ("SPA") with Philips, any damages arising from this claim will be fully indemnified by Philips.

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

(k) In 2012, in one specific country, the compensation payments to customers accrued and/or paid by TP Vision Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the local tax authority in that country following the submission of the relevant tax returns in 2013.

The directors do not consider a provision is required for the time being.

Notes to the Consolidated Financial Statements

40 COMMITMENTS

(a) Capital commitments

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

	Group	
	2012	2011
	US$'000	US$'000
No later than one year	**94,125**	67,808
Later than one year and no later than five years	**6,710**	7,670
Later than five years	**894**	198
	101,729	75,676

As at 31st December 2012, the Company did not have any significant capital commitments (2011: Nil).

(b) Operating lease commitments — Group as lessee

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

	Group	
	2012	2011
	US$'000	US$'000
No later than one year	**26,296**	19,034
Later than one year and no later than five years	**39,328**	13,463
Later than five years	**6,863**	8,425
	72,487	40,922

As at 31st December 2012, the Company did not have any significant commitments under operating leases (2011: Nil).

Notes to the Consolidated Financial Statements

40 COMMITMENTS (Continued)

(c) Operating lease commitments — Group as lessor

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 4 years, and the majority of lease agreements are renewable at the end of the lease period.

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

	Group	
	2012	2011
	US$'000	US$'000
No later than one year	**3,504**	3,204
Later than one year and no later than five years	**2,716**	4,343
	6,220	7,547

As at 31st December 2012, the Company did not have any significant future operating lease receivable arrangements (2011: Nil).

41 BUSINESS COMBINATION

(a) Acquisition of 70% equity interest in TP Vision Group

On 1st April 2012, the Group completed the acquisition of a 70% equity interest in TP Vision Group from Philips pursuant to the SPA dated 1st November 2011. Philips retains the remaining 30% equity interest in TP Vision Group, and has the right to sell or transfer, partly or all, of this remaining 30% equity interest in TP Vision Group to the Group pursuant to the Shareholders' Agreement dated 1st April 2012.

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(a) Acquisition of 70% equity interest in TP Vision Group (Continued)

As a result of the acquisition, the Group owns and controls 70% of Philips' TV business through TP Vision Group, which comprises, amongst other things, innovation and development sites, manufacturing sites, sales organisations in various countries, assumed employees and certain patents and contracts relating to the design, manufacturing, distribution, marketing and sale of Philips branded TVs worldwide except for Mainland China, India, the United States, Canada, Mexico and certain countries in South America.

TP Vision Group's future operations are expected to leverage on Philips' strengths, especially awareness of its brand and its well-established market share particularly in Europe and South America, and increase the Group's retail market share in the global TV business.

A gain on bargain purchase of US$24,803,000 has been recognised in "other gains-net" in the consolidated income statement of the Group, attributable to the recognition of fair market values of net assets acquired at higher values than the contingent consideration payable.

(i) Calculation of the gain on bargain purchase

The following table summarises the estimated consideration payable to Philips at the acquisition date and the calculation of the gain on bargain purchase:

	US$'000
Purchase consideration	
— Cash	—
— Contingent consideration	11,829
Total purchase consideration	11,829
Less: Fair value of the net asset acquired (Note 41(a)(ii))	36,632
Gain on bargain purchase	24,803

The contingent consideration for the 70% equity interest of TP Vision Group acquired is calculated based on 70% of TP Vision Group's average audited consolidated earnings before interests and taxes ("EBIT", as defined in the SPA and the supplemental agreements) in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2014 or the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election to receive the contingent consideration, times a multiple of four. If the above calculation results in a negative number, then the contingent consideration is deemed to be zero.

Based on management's current view, the contingent consideration that the Group may be required to pay to Philips, on an undiscounted basis, is estimated to approximate EUR28,476,000 (equivalent to US$38,016,000) at the acquisition date.

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(a) Acquisition of 70% equity interest in TP Vision Group (Continued)

(i) Calculation of the gain on bargain purchase (Continued)

The present value of the contingent consideration, amounting to US$13,582,000, is included in the non-current "other payables and accruals" in the consolidated balance sheet as at 31st December 2012 (Note 33).

The Group has recognised the contingent consideration at the fair value which is determined in accordance with the terms as stipulated in the SPA and the supplementary agreements and with reference to the expected post-acquisition performance of the acquired business. The contingent consideration shall be re-measured at fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement.

Pursuant to SPA in relation to acquisition of 70% equity interest in TP Vision Group during the year, Philips is granted an option pursuant to which Philips shall have the right to sell and transfer all (i.e. 30% equity interest), and not less than all, of its shares in TP Vision to the Group, as from expiry of a period of 6 years commencing on the date of SPA. The consideration to be paid by the Group for the 30% equity interest in TP Vision owned by Philips pursuant to the exercise of the written put option shall be the higher of nil and an amount calculated based on TP Vision Group's average consolidated EBIT in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2018 or the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election to exercise the written put option, times a multiple of four.

The Group's written put option to Philips over the 30% equity interest of TP Vision Group has been valued as no value. As a result, no related financial instrument has been recognised. However, the Group's potential contractual cash payment upon Philips' exercise of the put option is accounted for as financial liabilities which amounted to US$5,069,000 and included within the non-current "other payables and accruals" on the consolidated balance sheet as at 31st December 2012.

The valuation of contingent consideration payable and the redemption liability upon Philips' exercise of the put option are based on the projected EBIT forecasted by TP Vision Group's management. The key assumptions adopted in projecting the future EBIT including 8% sales growth for the first year and a terminal growth beyond the second year period using the estimated growth rates not exceeding the long-term average growth rates of 3.0% for similar business operates. Other key assumptions applied in the valuation include the expected improvement in gross profit margin (ranged from 13.5% to 14.5%) and reduction in costs. Management determined these key assumptions based on their experience in the industry and expectations on market development. A discount rate of 21.5% that reflects specific risks related to TP Vision Group was adopted.

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(a) Acquisition of 70% equity interest in TP Vision Group (Continued)

(ii) Net assets acquired

The fair values of the assets acquired and liabilities assumed as at the acquisition date are as follows:

	US$'000
Property, plant and equipment	115,544
Intangible assets	213,401
Investments in associates	649
Deferred income tax assets — net	3,483
Other non-current assets	18,835
Inventories	185,295
Cash and cash equivalents	6,407
Other current assets	89,086
Pension obligations	(14,867)
Other non-current liabilities	(225,861)
Payable to Philips for net operating capital contributed	(306,184)
Other current liabilities	(33,455)
Fair value of total identifiable net assets acquired	52,333
Non-controlling interest	(15,701)
	36,632

The Group's acquired intangible assets mainly represent a five year trademark license agreement between TP Vision Group and Philips, whereby TP Vision Group is granted the right to use the Philips brand for its products sold.

The payable to Philips represented TP Vision Group's agreed payment to Philips for the net operating capital contributed by Philips prior to the Group's 70% investment in the business and as calculated in accordance with the provisions specified in the SPA. The amount has been fully paid during the year.

The Group recognises TP Vision Group's non-controlling interests at their proportionate share of TP Vision's fair value of total identifiable net assets.

The acquisition-related costs included in administrative expenses in the consolidated income statement for the year amounted to US$4,414,000.

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(a) Acquisition of 70% equity interest in TP Vision Group (Continued)

(iii) Net cash inflow from the acquisition

	US$'000
Cash paid for acquired business, net of cash acquired	
— cash consideration	—
— cash and cash equivalents in subsidiaries acquired	6,407
Cash inflow on acquisition	6,407

(iv) Impact of acquisition on the results of the Group

The acquired business contributed revenues from external customers of US$2,725,398,000 and adjusted operating profit of US$25,816,000 to the Group for the year from its acquisition on 1st April 2012 to 31st December 2012. As the TV operations of Philips were integral to its other businesses until the end of March 2012, it is impracticable to estimate, on a like-for-like basis, the net contribution of TP Vision Group to the Group should the acquisition had occurred on the 1st January 2012. Accordingly, no disclosure was made to this effect within these consolidated financial statements.

(v) Transactions with Philips separate from the acquisition

In relation to the acquisition, TP Vision Group has entered into agreements with Philips in respect of the provision of certain transitional services by Philips to TP Vision Group.

TP Vision Group is entitled to charge Philips a brand promotion fee up to EUR172 million (approximate to US$220 million) for brand promotion and/or enhancement activities. Such activities can include advertising and promotion, sales and marketing, research and development and other activities which incentivise the distribution channels and reduce the cost of non-quality. The fee is charged based on 5% of TP Vision Group revenue and recognised upon approval by Philips. Total income for the period from 1st April 2012 to 31st December 2012 was EUR107 million (approximate to US$137 million). As at 31st December 2012, there is a balance of EUR16 million (approximate to US$20 million) deferred income included within "other payables and accruals".

TP Vision Group is also entitled to charge Philips a compensation of EUR32 million (approximate to US$40 million) due to the delay in the launch of certain products.

The directors are of the view that these transactions with Philips are separate from the business combination and are therefore do not form part of the net assets acquired and are recognised separately in accordance with HKFRS 3 (Revised).

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(b) Acquisition of 100% equity interest in 合肥凱威帝爾有限公司

On 25th September 2012, TPV Technology (Qingdao) Company Limited ("TPV QD"), a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with Hefei Haier Information Products Company, Ltd ("Haier"), under which TPV QD agreed to purchase 100% equity interest of 合肥凱威帝爾有限公司 ("Hefei Kaidi"), a wholly-owned subsidiary of Haier, with consideration of RMB44,789,000 (equivalent to US$7,184,000). Hefei Kaidi principally engaged in manufacturing and sales of TV products. The acquisition of Hefei Kaidi can help increase market shares of the Group in TV market in the PRC. The acquisition was completed on 7th December 2012. Upon acquisition, the Group exercises control over Hefei Kaidi by appointment of all directors into the board of Hefei Kaidi.

(i) The following table summarises the consideration paid and payable to Haier at the acquisition date and the calculation of the goodwill:

	US$'000
Purchase consideration	
— Cash	7,184
Total purchase consideration	7,184
Less: Fair value of the net asset acquired (Note 41(b)(ii))	3,557
Goodwill	3,627

The goodwill of US$3,627,000 arising from the acquisition is attributable to synergies from combining the TV business of Hefei Kaidi and the Group.

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(b) Acquisition of 100% equity interest in 合肥凱威帝爾有限公司 (Continued)

(ii) Net assets acquired

The fair values of the assets acquired and liabilities assumed as at the acquisition date are as follows:

	US$'000
Machinery and equipment	3,251
Intangible asset	1,143
Inventories	225
Cash and cash equivalents	3
Other current assets	227
Other payables, accruals and other provisions	(1,292)
Fair value of total identifiable net assets acquired	3,557

The acquisition-related costs included in administrative expenses in the consolidated income statement for the year amounted to US$4,000.

The acquired business contributed revenues from external customers of US$275,000 and operating loss of US$415,000 to the Group for the year from its acquisition on 7th December 2012 to 31st December 2012. As the operations of Hefei Kaidi are integral to Haier's other businesses before the acquisition, it is impracticable to estimate the net contribution of the acquired company to the Group should the acquisition had occurred on the 1st January 2012. On this basis no disclosure was made to this effect within these consolidated financial statements.

(iii) Net cash outflow from the acquisition

	US$'000
Cash paid for acquired business, net of cash acquired	
— cash consideration	(7,184)
— cash and cash equivalents in the subsidiary acquired	3
Cash outflow on acquisition	(7,181)

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(c) Acquisition of additional equity interest in Three Titans Technology (Xiamen) Co., Ltd.

As at 31st December 2011, Three Titans Technology (Xiamen) Co., Ltd. ("TTT XM") was a jointly controlled entity of the Group, which the Group held 45.45% equity interest in it. On 31st May 2012, Top Victory Investments Limited ("TVI"), a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with 山聚企業股份有限公司 (the "seller"), under which TVI agreed to purchase additional 40.91% equity interest in TTT XM from the seller with a cash consideration of US$5,040,000. The equity interest in TTT XM held by TVI after the acquisition was 86.36% and TTT XM become a subsidiary of the Group upon the acquisition. TTT XM is engaged in production and sales of flat TV product modules. The acquisition was completed on 1st October 2012 and can facilitate the production of flat TV products of the Group. Upon the acquisition, the Group exercises control by appointment of majority of directors to the board of TTT XM.

(i) The following table summarises the consideration paid and payable at the acquisition date and the calculation of the gain on bargain purchase:

	US$'000
Purchase consideration	
— Cash	5,040
— Equity interest held as an associate of the Group at date of acquisition	6,527
Total purchase consideration	11,567
Less: Fair value of the net asset acquired (Note 41(c)(ii))	12,403
Gain on bargain purchase	836

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATION (Continued)

(c) Acquisition of additional equity interest in Three Titans Technology (Xiamen) Co., Ltd. (Continued)

(ii) Net assets acquired

The fair values of the assets acquired and liabilities assumed as at the acquisition date are as follows:

	US$'000
Machinery and equipment	18,564
Other non-current assets	191
Inventories	4,728
Cash and cash equivalents	8,309
Other current assets	26,827
Other non-current liabilities	(400)
Trade and other payables and accruals	(43,857)
Fair value of total identifiable net assets	14,362
Non-controlling interest	(1,959)
	12,403

The Group recognised TTT XM's non-controlling interest at their proportional share of TTT XM's fair value of total identifiable net assets.

The acquired business did not contribute revenues from external customers as all its revenue was arisen from intercompany sales to the Group. The acquired business contributed operating profit of US$1,196,000 to the Group for the year from its acquisition on 1st October 2012 to 31st December 2012. Had TTT XM been consolidated from 1st January 2012, the consolidated income statement would show an increase of pro-forma revenue (including sales to the Group) of US$57,189,000 and profit of US$3,739,000.

A gain on bargain purchase of US$836,000 has been recognised in "other gains — net" in the consolidated income statement of the Group, attributable to the recognition of fair market values of net assets acquired higher values than the cash consideration paid.

(iii) Net cash inflow from the acquisition

	US$'000
Cash paid for acquired business, net of cash acquired	
— cash consideration	(5,040)
— cash and cash equivalents in the subsidiary acquired	8,309
Cash inflow on acquisition	3,269

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS

As at 31st December 2012, the substantial shareholders of the Company are China Electronics Corporation ("CEC"), Mitsui & Co., Ltd. ("Mitsui") and Innolux Corporation ("Innolux") (formerly known as "Chimei Innolux Corporation"), 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.

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. In the ordinary course of the Group's businesses, the Group has certain transactions with state-owned enterprises including but are not limited to sales and purchases of goods and services, payments for utilities, acquisition of land use rights and depositing and borrowing money.

(a) Significant transactions with related parties

During the years ended 31st December 2012 and 2011, the Group had the following significant transactions with its associates, jointly controlled entities and its substantial shareholders, CEC, Mitsui and Innolux.

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:

	Group	
	2012	2011
	US$'000	US$'000
Sales of goods to associates	**286,207**	317,289
Sales of goods to jointly controlled entities (Note (iii))	**31**	53
Sales of goods to CEC and its subsidiaries	**12,918**	815
Sales of goods to Mitsui and its subsidiaries	**15,977**	19,407
Sales goods to Innolux and its subsidiaries	**3**	—
Purchases of goods from associates	**(69,211)**	(50,376)
Purchases of goods from jointly controlled entities (Note (iii))	**(28,890)**	(72,851)
Purchases of goods from CEC and its subsidiaries	**(70,513)**	—
Purchases of goods from Mitsui and its subsidiaries	**(334)**	(52,458)
Purchase of goods from Innolux and its subsidiaries	**(838,469)**	(666,208)
Rental income from associates	**2,836**	2,375
Rental income from jointly controlled entities (Note (iii))	**563**	1,006

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS (Continued)

(a) Significant transactions with related parties (Continued)

(i) The above information only presents the transactions with these companies for the period when they are categorised as related parties.

(ii) In April 2012, the Group entered into an agreement with a subsidiary of CEC to establish a joint venture company in Nanjing, the PRC, ("Nanjing JV") with a registered capital of RMB17,500,000,000 (equivalent to US$2,777,381,000). The Nanjing JV will engage in manufacturing, research and development and provision of after-sales service of large size panel in the PRC. CEC and the Group will own 99.2% and 0.8% equity interests of the Nanjing JV respectively. The Group agreed to contribute RMB140,000,000 (equivalent to US$22,013,000) to the Nanjing JV in proportion to its equity interest. Pursuant to the agreement, the Group has sole discretion to exercise an option to require the subsidiary of CEC to acquire the 0.8% equity interests owned by the Group at a consideration of RMB140,000,000 (equivalent to US$22,013,000), plus interest of 4% per annum. At 31st December 2012, the Nanjing JV has been incorporated. The Group was made no capital contribution to the Nanjing JV at the reporting date.

(iii) TTT XM, which was a joint controlled entity, has become a subsidiary of the Group since 1st October 2012.

During the year ended 31st December 2012 and 2011, the Company had the following significant transaction with its subsidiaries. The transaction was carried out in the normal course of the Company's business and on term as agreed between the transacting party.

	Company	
	2012	2011
	US$'000	US$'000
Dividend income from a subsidiary	**32,135**	47,620

(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:

	2012	2011
	US$'000	US$'000
Salaries and other short-term employee benefits	**4,100**	3,693
Share-based payments	**287**	473
	4,387	4,166

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances

	Group 2012 US$'000	Group 2011 US$'000
Receivables from associates (Note (i))	**102,631**	104,631
Receivables from jointly controlled entities (Note (i))	**1**	309
Receivables from substantial shareholders and their subsidiaries (Note (ii))		
— Mitsui and its subsidiaries	**—**	1
— Innolux and its subsidiaries	**350**	13
	350	14
Payables to associates (Note (i))	**30,974**	26,392
Payables to jointly controlled entities (Note (i))	**22**	5,421
Payables to substantial shareholders and their subsidiaries (Note (iii))		
— Mitsui and its subsidiaries	**502**	15,782
— CEC and its subsidiaries	**14,596**	—
— Innolux and its subsidiaries	**47,843**	66,215
	62,941	81,997

	Company 2012 US$'000	Company 2011 US$'000
Receivables from a subsidiary	**947,643**	976,042

Notes to the Consolidated Financial Statements

42 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances (Continued)

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, deposits, prepayments and other receivables" and "trade payables, other payables and accruals" respectively.

(ii) As at 31st December 2012 and 2011, receivables from substantial shareholder and their subsidiaries were presented in the consolidated balance sheet within "trade receivables".

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

(iv) The above balances are presented only if the companies remained as related parties during the year ended 31st December 2012.

Five-Year Financial Summary

	2012	2011	2010	2009	2008
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Profit attributable to owners of the Company	**111,916**	120,398	169,349	141,214	97,177
Assets and liabilities					
Total assets	**6,448,500**	5,256,703	5,127,132	4,154,864	3,353,653
Total liabilities	**(4,549,353)**	(3,429,262)	(3,331,112)	(2,647,242)	(1,977,253)
Net assets	**1,899,147**	1,827,441	1,796,020	1,507,622	1,376,400