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TPV

TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2009

FINANCIAL RESULTS

The board of directors (the “Board”) of TPV Technology Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (“TPV” or the “Group”) for the year ended 31st December 2009 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2009

	<i>Note</i>	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Revenue	3	8,031,972	9,247,020
Cost of goods sold		<u>(7,562,253)</u>	<u>(8,818,588)</u>
Gross profit		<u>469,719</u>	<u>428,432</u>
Other income	4	<u>22,715</u>	<u>31,267</u>
Realized and unrealized (losses)/gains on foreign exchange forward contracts — net		(13,334)	120,619
Net exchange gains/(losses)		38,734	(55,150)
Others		<u>11,968</u>	<u>(24,259)</u>
Other gains — net	5	<u>37,368</u>	<u>41,210</u>
Selling and distribution expenses		(175,548)	(167,984)
Administrative expenses		(93,934)	(112,687)
Research and development expenses		<u>(80,152)</u>	<u>(67,335)</u>

	<i>Note</i>	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Operating profit	6	<u>180,168</u>	<u>152,903</u>
Finance income	7	4,428	2,433
Finance costs	7	<u>(13,633)</u>	<u>(51,332)</u>
Finance costs — net		<u>(9,205)</u>	<u>(48,899)</u>
Share of profits less losses of associated companies		<u>3,483</u>	<u>3,288</u>
Profit before income tax		174,446	107,292
Income tax expense	8	<u>(31,969)</u>	<u>(9,712)</u>
Profit for the year		<u>142,477</u>	<u>97,580</u>
Attributable to:			
Equity holders of the Company		141,214	97,177
Minority interest		<u>1,263</u>	<u>403</u>
		<u>142,477</u>	<u>97,580</u>
Earnings per share for profit attributable to the equity holders of the Company	9		
— Basic		<u>US6.69 cents</u>	<u>US4.74 cents</u>
— Fully diluted		<u>US6.25 cents</u>	<u>US4.54 cents</u>
Dividends	10	<u>42,226</u>	<u>29,137</u>

CONSOLIDATED BALANCE SHEET

As at 31st December 2009

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

	<i>Note</i>	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		6,124	206,015
Pension obligations		5,061	4,590
Other payables and accruals		<u>28,759</u>	<u>—</u>
		<u>39,944</u>	<u>210,605</u>
Current liabilities			
Trade payables	12	1,931,721	929,623
Other payables and accruals		367,299	266,682
Current income tax liabilities		14,220	9,793
Warranty provisions		67,272	56,945
Derivative financial instruments		17,574	106,365
Borrowings		<u>209,212</u>	<u>397,240</u>
		<u>2,607,298</u>	<u>1,766,648</u>
Total liabilities		<u>2,647,242</u>	<u>1,977,253</u>
Total equity and liabilities		<u>4,154,864</u>	<u>3,353,653</u>
Net current assets		<u>704,107</u>	<u>797,617</u>
Total assets less current liabilities		<u>1,547,566</u>	<u>1,587,005</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, investment properties and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (d) **In 2009, Hong Kong Institute of Certified Public Accountants issued modifications to the following existing accounting standards which are not yet effective and have not been early adopted by the Group**

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

2. COMPARATIVES

Certain comparative figures have been reclassified in order to conform to the current year’s presentation.

3. SEGMENT INFORMATION

The Group’s businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group’s operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments.

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

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

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

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

Segment assets consist primarily of intangible assets, property, plant and equipment, land use rights, inventories, trade receivables and deposits, prepayments and other receivables. They exclude investment properties, interests in associated companies, available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss, current income tax recoverable, derivative financial instruments, pledged bank deposits and cash and cash equivalents, which are managed on a central basis. These are included in the reconciliation to total balance sheet assets.

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

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

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

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

	For the year ended 31st December 2008			
	Monitors US\$'000	TVs US\$'000	Others US\$'000	Total US\$'000
Revenue from external customers	<u>7,010,763</u>	<u>1,966,250</u>	<u>270,007</u>	<u>9,247,020</u>
Cost of goods sold	(6,670,912)	(1,879,886)	(267,790)	(8,818,588)
Other income excluding export incentives received, fiscal refund received and localization incentives received	7,687	2,156	295	10,138
Operating expenses	<u>(231,079)</u>	<u>(74,330)</u>	<u>(1,387)</u>	<u>(306,796)</u>
Adjusted operating profit	<u>116,459</u>	<u>14,190</u>	<u>1,125</u>	<u>131,774</u>
Depreciation of property, plant and equipment	41,659	13,347	4,416	59,422
Amortization of land use rights	—	—	383	383
Amortization of intangible assets	—	—	53	53
Capital expenditure	<u>117,165</u>	<u>45,084</u>	<u>—</u>	<u>162,249</u>

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

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

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

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

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

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

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

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

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

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

The segment results by geographical as follows:

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

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

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

4. OTHER INCOME

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

Notes:

- (a) Export incentives were received from the municipal governments of Fuqing and Wuhan, the PRC.
- (b) Fiscal refund was received from the municipal Finance Bureaus of Fuqing and Wuhan, the PRC.

5. OTHER GAINS — NET

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

6. OPERATING PROFIT

Operating profit is stated after charging the following:

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Cost of inventories	7,160,786	8,428,176
Employee benefit expense (including directors' emoluments)	244,472	216,064
Depreciation of property, plant and equipment	81,171	59,422
Amortization of land use rights	295	383
Operating lease rental for land and buildings and machinery	8,572	12,566
Auditors' remuneration	976	1,102
Amortization of intangible assets (included in administrative expenses)	1,921	53
Provision for warranty	56,110	66,942
(Reversal of)/provision for bad and doubtful debts	(824)	12
Loss on disposal of property, plant and equipment	2,206	3,231
Provision of inventories to net realizable value	23,067	43,808
Impairment losses on property, plant and equipment	—	2,814
Donations	212	697
	<u>212</u>	<u>697</u>

7. FINANCE INCOME AND COSTS

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Interest expense on bank borrowings wholly repayable within five years	3,404	41,103
Interest expense on convertible bonds wholly repayable within five years	10,229	10,229
	<u>13,633</u>	<u>51,332</u>
Interest income on short-term bank deposits	(4,428)	(2,433)
	<u>9,205</u>	<u>48,899</u>

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

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2008: Nil).

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

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

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

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

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

9. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

10. DIVIDENDS

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

The directors proposed on 30th March 2010 a final dividend of US1.26 cents per share (2008: US0.50 cent) payable in cash to equity holders. The amount of 2009 proposed final dividend is based on 2,345,836,139 shares in issue as at 30th March 2010 (2008: 2,111,252,525 shares as at 31st March 2009). This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2010.

11. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

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

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

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

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

As at 31st December 2009, trade receivables of US\$3,146,000 (2008: US\$3,970,000) were impaired. The amount of the provision was US\$3,146,000 as at 31st December 2009 (2008: US\$3,970,000). The individually impaired receivables mainly relate to a number of small customers, which are in unexpected difficult economic situations. The ageing of these past due receivables is as follows:

	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>
1–120 days	2,506	736
Over 120 days	<u>640</u>	<u>3,234</u>
	<u>3,146</u>	<u>3,970</u>

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

	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>
1–90 days	74,270	78,211
91–120 days	2,415	1,414
Over 120 days	2,735	364
	<u>79,420</u>	<u>79,989</u>

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

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

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

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

The release and creation of provision for impaired receivables have been included in administrative expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

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

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

FINAL DIVIDEND

The Board will recommend at the forthcoming annual general meeting the payment of a final dividend of US1.26 cents (2008: US0.50 cent) per share payable in cash to shareholders whose names appearing on the registers of members of the Company on Wednesday, 26th May 2010.

The proposed final dividend is payable in cash to shareholders in US dollars save those shareholders whose names appearing on the register of members of the Company in Hong Kong will receive the equivalent amount in HK dollars and those shareholders whose names appearing on the record of members of the Company in Singapore will receive the equivalent amount in Singapore dollars, both calculated at the relevant exchange rates quoted by Standard Chartered Bank in Hong Kong at or about 11:00 a.m. on Wednesday, 26th May 2010.

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

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Wednesday, 26th May 2010 to Friday, 28th May 2010, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend and to attend the annual general meeting to be held on Friday, 4th June 2010, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 25th May 2010 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, not later than 5:00 p.m. on Tuesday, 25th May 2010 (as the case may be).

INDUSTRY REVIEW

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

The turbulent economic conditions led corporations to defer or cut back their IT expenditure. As a result, worldwide shipments of PC monitors amounted to just 164 million units in 2009, approximately 7 percent fewer than the 176 million shipped in the previous year. It is worth noting that monitors have already become commoditised, which means end users buy them only when they need them, and demand is less affected by seasonality or the economic climate.

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

BUSINESS REVIEW

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

Despite higher sales and research and development costs, operating profit margin rose by 50 basis points to 2.2 percent. Net finance costs fell by 81.2 percent from 2008's US\$48.9 million to US\$9.2 million. Profit attributable to equity holders came in at US\$141.2 million, an impressive 45.3 percent higher than the US\$97.2 million in 2008. Earnings per share were US6.69 cents (2008: US4.74 cents).

During the year, the PC monitor and LCD TV business segments contributed 63.5 percent (2008: 75.8 percent) and 33.4 percent (2008: 21.3 percent) of the Group's consolidated revenue respectively.

As the engine of the world's economic growth, China accounted for 29.6 percent (2008: 25.8 percent) of the Group's total revenue. Because of our new strategic presence in Poland, our sales to Europe gained traction, and this region surpassed North America to contribute 28.6 percent (2008: 24.5 percent) of our revenue. North America and the rest of world accounted for 24.2 percent (2008: 27.4 percent) and 17.6 percent (2008: 22.2 percent) of our revenue, respectively.

PC Monitor

TPV's total PC monitor shipments dipped by 3.3 percent to 46.2 million units in 2009, lowering their contribution to our revenue by 27.3 percent to US\$5.1 billion (2008: US\$7.0 billion). ASP per unit for the year was US\$110.5 (2008: US\$146.9), reflecting lower component costs.

Gross profit margin recovered to 6.1 percent (2008: 4.8 percent), however, gross profit dollar per unit slipped to US\$6.7 (2008: US\$7.1) due to lower ASP. Nevertheless, our operating margin improved by 30 basis points to 2.0 percent (2008: 1.7 percent) as we continued to streamline our production flow and enhanced efficiency.

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

LCD TVs

During the year under review, the Group's LCD TV shipments surged by 58.5 percent to 9.5 million units (2008: 6.0 million units).

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

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

Research and Development

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

We also scored a breakthrough by shipping our first consignment of light-emitting diode (LED)-backlit monitors during the fourth quarter. Furthermore, we expanded our product line to include a full range of display sizes, from 15-inch to 65-inch.

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

Production

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

In July 2009, we completed the purchase of another factory, in Mexico, where we plan to have an initial capacity of 700,000 units a year to serve the large-screen LCD TV requirements of North and South America.

In addition, we took over a new plant in Xiamen, PRC, in August 2009 and this plant will undertake backward integrated operations in LCD module assembly, backlights and plastic injection through various joint-venture arrangements.

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

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

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

PROSPECTS

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

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

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

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

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Japanese Yen, Euros, Brazilian real, Indian Rupee and Mexican Peso. Foreign exchange risk arises from future commercial transaction, recognized assets and liabilities and net investments in foreign operations. Moreover, the conversion of Renminbi into foreign currencies is subject to the rules and regulations for exchange control promulgated by the PRC government. The Group aims to reduce its currency exposures against Renminbi by using foreign exchange forward contracts. In view of the volatile financial market, we have set out strict guidelines, against any speculative trades in derivative products.

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

	2009	2008
	<i>US\$'000</i>	<i>US\$'000</i>
Sell Renminbi for US dollars	2,853,000	4,045,500
Sell US dollars for Renminbi	2,858,000	4,268,000
Sell Japanese Yen for US dollars	522,198	19,550
Sell Euros for US dollars	73,719	24,753
Sell Brazilian Real for US dollars	42,500	—
Sell Indian Rupee for US dollars	10,000	—
Sell HK dollars for US dollars	3,000	—
Sell Mexican Peso for US dollars	1,400	—
Sell US dollars for Euros	—	7,550
Sell US dollars for Japanese Yen	—	2,000

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

	31st December 2009	31st December 2008
Within one year	209,212	397,240
In the second year	6,124	206,015

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

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

WORKFORCE

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

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

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

CONTINGENT LIABILITIES

- (a) In February 2004, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and certain other third party companies.

The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the design and manufacture of LCD ("Patent I").

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

- (i) they had infringed, actively induced and/or contributed to the infringement of Patent I by making, using, causing to be used, offering to sell, causing to be offered for sale, selling, causing to be sold, importing and/or causing to be imported LCDs and/or LCD products in the United States of America; and

- (ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while proceedings were stayed according to the court's Memorandum Order on 13th May 2004, it is not probable to assess the future outcome of the litigation for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

- (b) In January 2007, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and certain other third party companies. The complaint claims damages related to alleged infringement of an US Patent in respect of technology to decode Program Map Information in the Digital TVs ("Patent II").

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

- (i) they have directly infringed, contributed to and/or actively induced infringement of the Patent II and are continuing to directly infringe, contribute to and/or actively induce infringement by making, using, importing, offering for sale, soliciting sales by others of, enabling or assisting with sales by others of, and/or selling in the United States of America, including, without limitation, ATSC TVs under the AOC brand name, which are covered by one or more claims of the Patent II; and
- (ii) as a consequence of their infringement complained of herein, the plaintiff had been damaged and will continue to sustain damages by such acts in an amount to be determined at trial and will continue to suffer irreparable loss and injury.

The directors are of the opinion that while the proceedings were stayed to the extent the Group is concerned according to the Court's Stipulation and Order of 23rd October 2007, it is not probable to assess the outcome of the litigation for the time being. Even if the outcome of the litigation turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

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

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

- (i) their unfair acts include the unlicensed importation, sale for importation and/or sale after importation of digital televisions and products containing the same in the United States of America. The accused televisions employ patented technology related to Patent II; and
- (ii) the complainant requested for issuance of limited exclusion order prohibiting the entry into the United States of America all of respondents' imported televisions and products containing digital television covered by Patent II; and cease and desist order

stopping importing, offering for sale, marketing, advertising, demonstrating, warehousing, distributing, selling and/or using such imported products of respondents in the United States of America.

The directors are of the opinion that while the Enforcement Proceeding is still ongoing before the U.S. International Trade Commission on the one hand, the case is also currently pending final decision by the Court of Appeals for the Federal Circuit to the other, it is not probable to assess the outcome of the investigation for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

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

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

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

- (i) they manufacture, assemble, service, including unlicensed monitors, and sell those products through the United States of America, and know, expect, and intend that the products, including unlicensed monitors, will be sold in the market of the United States of America.
- (ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court issues an injunction, enjoining them from further infringement of said patents.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

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

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

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

- (i) they had infringed, actively induced, contributed to the infringement of Patent IV by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and
- (ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys’ fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while the investigation is ongoing, it is not probable to assess the outcome of the investigation for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

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

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

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

- (i) they manufacture, assemble, service, including unlicensed digital televisions and monitors, and sell those products through the United States of America, and know, expect, and intend that the products, including unlicensed digital televisions and monitors, will be sold in the market of the United States of America.
- (ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court issues an injunction, enjoining them from further infringement of said patents.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

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

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

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

- (i) the Group is a merchant regularly dealing in goods of the kind of accused products and has breached its warranty of title and freedom from a claim of patent in the United States of America.
- (ii) the third party company is entitled to indemnification from the Group for any liabilities it incurs, including reasonable attorneys’ fees, settlement amount or any awarded damage.

The directors are of the opinion that while the complaint is not served yet, it is not probable to assess the outcome of the case for the time being. Even if the outcome turns out to be unfavourable, the directors consider that its future settlement may not have any material financial impact on the Group as a whole.

COMMITMENTS

(a) Capital commitments

As at 31st December 2009, the Group had the capital commitments contracted but not provided for as follows:

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Capital commitments for plant and equipment		
— Contracted but not provided for	<u>16,961</u>	<u>11,893</u>

(b) Commitments under operating leases

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

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Not later than one year	7,085	4,025
Later than one year and not later than five years	11,427	3,170
Later than five years	<u>12,085</u>	<u>490</u>
	<u>30,597</u>	<u>7,685</u>

(c) Future operating lease receivable arrangements

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

	2009 <i>US\$'000</i>	2008 <i>US\$'000</i>
Not later than one year	1,277	866
Later than one year and not later than five years	<u>408</u>	<u>127</u>
	<u>1,685</u>	<u>993</u>

PURCHASE, SALE AND REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

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

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

reasons for which are explained below. The Board will continue to review and further improve the Company's corporate governance practices and standards, so as to ensure that its business activities and decision-making processes are regulated in a proper and prudent manner.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

Dr Hsuan, Jason currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both positions in Dr Hsuan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of the management. Such a structure provides many of the benefits of having a separate chairman and chief executive officer. It includes:

- Having a majority of non-executive directors and independent non-executive directors on the Board;
- Having an Audit Committee consisting solely of independent non-executive directors;
- Having a majority of independent non-executive directors on the Remuneration Committee; and
- Ensuring that independent non-executive directors have free and direct access to the Company's management, internal audit division, external auditors and independent professional advisers, whenever it is considered necessary.

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

Re-election of directors

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The Company's non-executive directors are not appointed for a specific term. However, one-third of all the directors of the Company for the time being are subject to retirement by rotation at each annual general meeting, pursuant to bye-law 99 of the Bye-laws of the Company. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by directors of the Company (the “Internal Rules”), the terms of which no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Listing Rules.

Specific enquiries have been made with all the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the year ended 31st December 2009.

Relevant employees who are likely to be in possession of unpublished price-sensitive information regarding the Group are subject to compliance with the Company’s Code for Securities Transactions by Relevant Employees (the “RE Code”) in respect of their dealings in the securities of the Company. The terms of the RE Code are likewise no less exacting than the required standards set out in the Model Code.

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference that are in line with the relevant provisions of the CG Code. All members of the Audit Committee are independent non-executive directors.

The Audit Committee regularly meets the external auditors to discuss any areas of concern regarding the audits and reviews. It reviews the quarterly, interim and annual results before these are submitted to the Board. In reviewing the Company’s financial results, the Committee focuses not only on the impact of changes in accounting policies and practices, but also on compliance with accounting standards, Listing Rules and legal requirements. The Audit Committee has reviewed the financial statements for the year ended 31st December 2009.

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

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.

Chaired by an independent non-executive director, the remuneration committee currently has a membership comprising three independent non-executive directors, one non-executive director and the Chairman and Chief Executive Officer of the Company.

The Remuneration Committee is responsible for reviewing and evaluating the remuneration packages of directors and senior management, and making recommendations to the Board from time to time.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31st December 2009 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on

Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL REPORT

The Annual Report for the year ended 31st December 2009 will be despatched to shareholders and will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) as well as the website of the Company (www.tpvtechnology.com) in due course.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting will be held on Friday, 4th June 2010. Notice of Annual General Meeting will be published on the website of The Stock Exchange of Hong Kong Limited as well as the website of the Company, and despatched to shareholders in due course.

As at the date of this announcement, the board of directors of the Company comprises an executive director, namely Dr Hsuan, Jason, and nine non-executive directors, namely Mr Liu Liehong, Mr Lu Ming, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping, Mr Tam Man Chi, Mr Maarten Jan de Vries, Mr Robert Theodoor Smits and Mr Chen Yen-Sung, Eddie, and three independent non-executive directors, namely Mr Chan Boon-Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.

On behalf of the Board

Dr Hsuan, Jason

Chairman and Chief Executive Officer

Hong Kong, 30th March 2010