TPV TECHNOLOGY LIMITED 冠捷科技有限公司 (Incorporated in Bermuda with limited liability) INTERIM REPORT 2012

About us

TPV Technology Limited is the world's largest PC monitor and fourth largest LCD TV manufacturer. The Group has been able to drive its growth over the years by leveraging its economies of scale and core competencies in R&D, manufacturing, logistic efficiency and superb quality.

The Group also distributes its products globally under its own brands AOC and Envision. In 2009 and 2011, the Group acquired exclusive licenses to sell Philips' monitors globally and TVs in China.

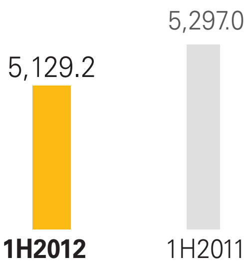
In April 2012, the Group formed a joint venture ("JV"), TP Vision, with Philips to take over the latter's TV business. The JV engages in the design, manufacturing, distribution, marketing and sales of Philips' television worldwide, with the exception of China, India, United States, Canada, Mexico, and certain countries in South America. The JV is 70 percent owned by TPV and 30 percent owned by Philips.

TPV has been listed on both Hong Kong and Singapore stock exchanges since October 1999.

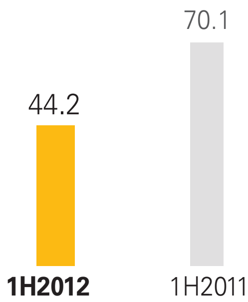
Contents

Financial Highlights

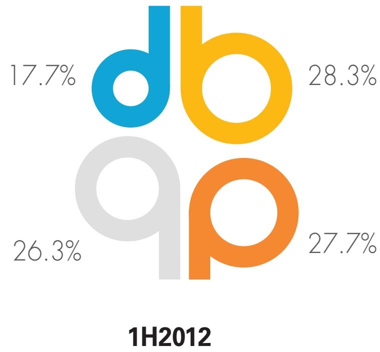
REVENUE
(US$ Million)



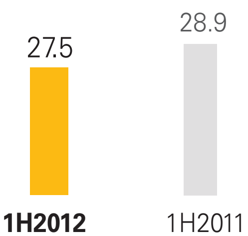
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(US$ Million)



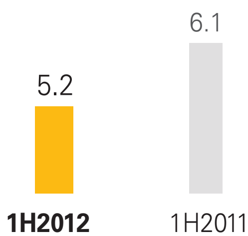
REVENUE CONTRIBUTION BY GEOGRAPHICAL MARKET
Percentage (%)

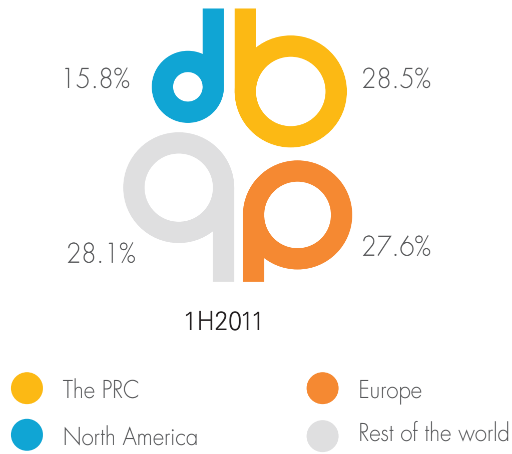


PC MONITORS
(Million Units)



LCD TVs
(Million Units)





BUSINESS REVIEW

The sovereign debt crisis in Europe has slowed demand and burdened the global economy. Despite a series of accommodative policies and concerted efforts by Eurozone members and the central banks, the GDPs of countries such as Portugal, Spain and Italy continued to falter during the first half of 2012. The US continued to recover modestly and the employment situation improved there. Even so, the growth momentum in emerging economies was less than expected, due to reduced demand for exports, and disappointing domestic consumption as consumers restrained their spending in an uncertain environment. Against this economic backdrop, the demand for PC monitors and LCD TVs was sluggish in the first half of 2012.

Worldwide PC monitor shipments declined by 4.8 percent during the first six months to 80 million units (1H2011: 84 million units). This was partly attributable to last year's flood in Thailand, which subsequently disrupted the electronic hardware supply chain, as well as the weaker-than-expected PC sales as enterprises tightened their IT budgets in the face of the deteriorating business outlook. On the other hand, LED-backlit monitor continued to proliferate, accounting for 60.1 percent of all monitors shipped, compared to 31.7 percent in the first half of 2011.

The worsening macro-environment buffeted the LCD TV sector as well. The total volume of shipments for the first six months this year was similar to last year's figure of 89.5 million units (1H2011: 89.3 million units). While total shipments to emerging economies grew by 18.6 percent year-on-year, the growth was offset by the more than 20 percent drop in shipment to the developed countries. Eastern Europe, Latin America and Asia-Pacific were the main growth engines. At 18.8 million units, China remained the world's largest single TV market, although the growth in shipments there was slowed to a trickle. The US continued to show a gentle increase, with shipments edging up by 1.2 percent year-on-year. In contrast, demand in Western Europe and Japan fell by 12.6 percent and 61.9 percent, respectively, compared to the same period in 2011. LED-backlit models further penetrated the market and accounted for 59.5 percent of total shipments, compared to 39.4 percent in the same period of 2011, as lower-priced direct-type LED-backlit TVs were well-received by consumers.

Company Performance

TPV recorded consolidated revenue of US$5.1 billion during the first six months. This was 3.2 percent less than the US$5.3 billion it achieved in the same period in 2011. Profit attributable to the owners of the Company declined by 36.9 percent to US$44.2 million, compared to US$70.1 million in the corresponding period of the previous year. Basic earnings per share fell accordingly to US1.89 cents (1H2011: US2.99 cents). The Group's gross profit ("GP") margin was higher at 6.8 percent (1H2011: 6 percent), as the Group is consolidating the Philips TV business which traditionally earns a higher GP margin.

In tandem with market development, the Group shipped a total of 27.5 million PC monitors in the first half-year, which was 5.1 percent lower than the same months in 2011. These generated US$2.8 billion or 54 percent of total revenue. Segment GP margin declined from 7.1 percent to 6.5 percent year-on-year and resulted in a lower GP dollar per set of US$6.60 (1H2011: US$7.20). Their average selling price ("ASP") was stable at US$100.90, compared to US$101.60 a year ago.

BUSINESS REVIEW (CONTINUED)

Company Performance (Continued)

The Group's LCD TV business was adversely affected by the sluggish end market. Shipments fell by 14.4 percent to 5.2 million units, compared to 6.1 million units a year earlier, due to market weakness as well as the Group dropping some of the less profitable accounts at the beginning of the year. Nevertheless, a change in the segment's business model, which has extended sales to the retail sector via a joint venture ("JV") with Philips since April this year, together with an improved product mix, has considerably increased this business segment's GP margin and ASP. The former rose to 8.8 percent, compared to 4.9 percent last year, and the latter increased to US$330.40 from US$291.30 a year ago. Consequently, the GP per set was US$29.10, compared to US$14.40 in the corresponding period of 2011. The segment's revenue amounted to US$1.7 billion or 33.5 percent of the consolidated revenue.

In term of geographical contributions, China accounted for US$1.5 billion or 28.3 percent (1H2011: 28.5 percent) of total revenue. Sales to Europe and South America declined slightly to US$1.4 billion and US$548 million, respectively, whereas their contributions to consolidated revenue were 27.7 percent (1H2011: 27.6 percent) and 10.7 percent (1H2011: 10.7 percent). Conversely, sales to North America increased by 8.9 percent year-on-year to US$909 million, accounting for 17.7 percent (1H2011: 15.8 percent) of consolidated revenue, reflecting that market's ongoing recovery. Contribution made by the rest of the world decreased to US$799 million or 15.6 percent (1H2011: 17.4 percent).

PROSPECTS

The sovereign debt issue in Europe is likely to continue to affect the global economy for the rest of 2012. Overall market demand will therefore probably stay soft, especially in mature markets, while emerging economies will remain the growth engines. It is positive for the future that a number of countries, including China, have implemented monetary-easing policies and subsidy programs in a bid to counteract slowing external demand and boost domestic consumption. These seem likely to benefit the TFT-LCD industry.

In view of the ambiguous outlook, DisplaySearch has forecast that worldwide PC monitor shipments will remain flat at 170 million units during 2012, compared to the growth figure of 2.4 percent that it previously projected. It has also lowered its forecast for LCD TV shipments by 1.8 percent, from 220 million units to 216 million units. This would represent 5.2 percent growth on the 2011 figure.

From the industry's perspective, the less-than-sanguine outlook, combined with cash-flow constraints, has encouraged brands to remain highly conservative in their inventory management policies. Nonetheless, the industry remains hopeful that new product features and traditional holiday purchasing will improve demand for PC monitors and LCD TVs during the second half of 2012.

PROSPECTS (CONTINUED)

In times of uncertainty, the Group will continue to streamline its operations, expand its back-end production capabilities and introduce other cost-rationalization initiatives. Additionally, it recognizes the strong growth potential of the emerging economies, and is currently strengthening its sales and marketing efforts to increase its presence in the fast-growing markets of South America and the Asia–Pacific region. The formation of TP Vision has given the Group much wider geographical coverage, and it is enhancing its currency management efforts in order to mitigate exchange risks.

Recent Development

TP Vision, a TV JV between TPV and Philips, commenced its operations in April 2012. Despite the challenging economic environment, its business performance in the first three months has been encouraging and is in line with management's expectations. During this period, the JV sold a total of 1.6 million TV units, generating US$721 million in revenue, and made a small profit. TP Vision has gotten off to a smooth start with the strong commitment of staff and business partners. Key account relationships are maintained and critical supply and sales contracts are not affected by the change in ownership. Philips' TV sell-through in its core markets was stable, with its market share ranking second or third in many of them. To increase the leverage on each other's capabilities, the Group is stepping up the integration of its resources with those of the JV in areas like manufacturing, R&D, purchasing and supply chain management. Although the JV is still undergoing various business transformation initiatives, it has made significant inroads in the first few months by implementing many changes, including the strengthening of accountability and ownership in various parts of its organization. The Group is confident that TP Vision will bring additional profits to the Group in a gradual and steady manner.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June 2012, the Group's cash and bank balances (including a pledged bank deposit) totaled US$550.3 million (31st December 2011: US$310.5 million). Credit facilities secured from banks totaled US$4.2 billion (31st December 2011: US$3.9 billion), of which US$1.1 billion was utilized (31st December 2011: US$1.3 billion).

Except for the note payable, all borrowings were at floating interest rates. The maturity profile of the Group's borrowings and loan as of 30th June 2012, was as follows:

Duration	**30th June 2012 US$'000**	31st December 2011 US$'000
Within one year	**155,853**	362,000
Between two and five years	**252,602**	78,163
Wholly repayable within five years	**408,455**	440,163

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (CONTINUED)

As at 30th June 2012, the Group's inventory turnover days increased to 47.7 days from 40.7 days for the year ended 31st December 2011. Trade receivable and payable turnover days lengthened to 81.2 days (31st December 2011: 75.9 days) and 84.3 days (31st December 2011: 75.1 days) respectively.

The Group's gearing ratio, representing the ratio of total borrowings and loans to total assets lowered to 6.6 percent as compared to 8.4 percent at the end of 2011. Current ratio was at a healthy level of 127.0 percent (31st December 2011: 126.4 percent).

FOREIGN EXCHANGE RISK

As at 30th June 2012, the total notional principal amounts of the Group's outstanding foreign exchange forward contracts were as follows:

	30th June 2012 US$'000	31st December 2011 US$'000
Sell Renminbi for US dollar	**1,640,000**	3,301,192
Sell US dollar for Renminbi	**1,860,000**	2,710,000
Sell Japanese Yen for US dollar	**7,600**	3,640
Sell Euro for US dollar	**944,911**	178,665
Sell Brazilian Real for US dollar	**336,729**	77,900
Sell Indian Rupee for US dollar	**41,000**	22,000
Sell British Pound for US dollar	**20,012**	—
Sell US dollar for Russian Ruble	**—**	15,000
Sell Russian Ruble for US dollar	**114,304**	—
Sell US dollar for New Taiwan dollar	**1,900**	17,000
Sell Mexico Peso for US dollar	**4,500**	—
Sell Polish Zloty for US dollar	**9,110**	—
Sell Swiss Franc for Euro	**25,812**	—
Sell Hungarian Forint for Euro	**24,903**	—
Sell Russian Ruble for Euro	**43,439**	—
Sell Polish Zloty for Euro	**16,192**	—
Sell other currencies for Euro	**19,756**	—

The major objective of currency hedging is to reduce or eliminate volatility in the USD value of profit margins, net investments and cash flows.

WORKFORCE

As at 30th June 2012, TPV employed 33,770 people (31st December 2011: 29,516) worldwide. Our employees are regarded as TPV's most valuable assets, and they were remunerated in accordance with industry practice in the locations where they worked. The Group plans to continue along the road of self-enhancement by providing regular training for staff members and encouraging them to engage in lifelong learning, thereby enhancing its long-term competitiveness. By also ensuring a fair and inclusive working environment for its increasingly diversified workforce, the Group has positioned itself to attract and retain talented people from different cultural backgrounds.

DIRECTORS' INTERESTS

As at 30th June 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 Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 Options".

Save as disclosed above and in the paragraph headed "Share Options", as at 30th June 2012, none of the directors of the Company had or was deemed to have any interest or short position in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code.

DIRECTORS' INTERESTS (CONTINUED)

Interests in ordinary shares of US$0.01 each of the Company (Continued)

Saved as disclosed above, at no time during the six months ended 30th June 2012 was the Company or its subsidiaries, a party to any arrangement to enable the directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

As at 30th June 2012, the Company has an ultimate holding company. The Group is controlled by China Electronics Corporation ("CEC"), which indirectly owns 35.06% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 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 shareholders	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)
Great Wall Technology Co., Ltd. ("GWT")	570,450,000 (Notes 1, 2)
China Great Wall Computer (Shenzhen) Co., Ltd. ("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)
Chimei Innolux Corporation ("CMI")	150,500,000 (Note 3)
Chimei Corporation ("CMC")	150,500,000 (Note 3)

SUBSTANTIAL SHAREHOLDERS' INTERESTS (CONTINUED)

Interest in ordinary shares of US$0.01 each of the Company (Continued)

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

3 These Shares are held by CMI. CMI is owned as to 13.57% by CMC, and as to 3.57% by Linklinear Development Co. Ltd., which in turn is owned as to 54.22% by CMC.

SHARE OPTIONS

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.

On 18th January 2011, 45,000,000 share options were granted to a director and certain employees of the Group with an exercisable period from 18th January 2012 to 17th January 2021.

During the six months ended 30th June 2012, no share options have been granted or cancelled.

SHARE OPTIONS (CONTINUED)

Particulars of outstanding options under the New Scheme at the beginning and at the end of the financial period for the six months ended 30th June 2012 and options exercised and lapsed during the period were as follows:

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options: As at 1st January 2012	Exercised	Lapsed	As at 30th June 2012
Directors							
Dr Hsuan, Jason	18/01/2011	5.008 (Note 2)	18/01/2012–17/01/2021	150,000	0	0	150,000
			18/01/2013–17/01/2021	150,000	0	0	150,000
			18/01/2014–17/01/2021	150,000	0	0	150,000
			18/01/2015–17/01/2021	150,000	0	0	150,000
Mr Chan Boon Teong	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	80,000	0	0	80,000
			12/12/2009–11/12/2012	120,000	0	0	120,000
			12/12/2010–11/12/2012	200,000	0	0	200,000
Dr Ku Chia-Tai	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	60,000	0	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	0	150,000
Mr Wong Chi Keung	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	60,000	0	0	60,000
			12/12/2009–11/12/2012	90,000	0	0	90,000
			12/12/2010–11/12/2012	150,000	0	0	150,000
Employees	12/12/2007	5.75 (Note 1)	12/12/2008–11/12/2012	3,827,605	0	(72,000)	3,755,605
			12/12/2009–11/12/2012	5,741,408	0	(108,000)	5,633,408
			12/12/2010–11/12/2012	9,569,013	0	(180,000)	9,389,013
	18/01/2011	5.008 (Note 2)	18/01/2012–17/01/2021	10,870,000	0	(550,000)	10,320,000
			18/01/2013–17/01/2021	10,870,000	0	(550,000)	10,320,000
			18/01/2014–17/01/2021	10,870,000	0	(550,000)	10,320,000
			18/01/2015–17/01/2021	10,870,000	0	(550,000)	10,320,000
				64,218,026	0	(2,560,000)	61,658,026

SHARE OPTIONS (CONTINUED)

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.

BUSINESS COMBINATION

Details of business combinations of the Group is set out in note 20 to the financial information.

CONTINGENT LIABILITIES

Details of contingent liabilities was discussed in note 19 to the financial information.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30th June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE CODE

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

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

The Company has complied with all the code provisions of the Old Code during the period from 1st January 2012 to 31st March 2012 and the CG Code during the period from 1st April 2012 to 30th June 2012, except for deviations from code provisions A.2.1 and A.4.1 of the CG Code, the reasons for which are explained below.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG 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;

— Having a Nomination Committee to review the structure and composition of the Board periodically; 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

CG 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.

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 are no less exacting than the required standards set out in the Model Code to 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 six months ended 30th June 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.

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").

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

The 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.

The Audit Committee is chaired by Mr Chan Boon Teong. The other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. All members of the Audit Committee are independent non-executive directors of the Company.

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

The Remuneration Committee is chaired by Mr Chan Boon Teong, an independent non-executive director who also serves as chairman of the Audit Committee. The other members are 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.

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.

The Investment Committee is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company. The other members are 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.

NOMINATION COMMITTEE

The Company has established the Nomination Committee on 21st March 2012 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 Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board of the Company.

The Nomination Committee is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company. The other members are 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2011 Annual Report of the Company are set out below:

Dr Hsuan, Jason was appointed as a director of Standard Foods Corporation, a company engaged in the production and distribution of nutrition food, products and beverages, whose shares are listed on the Taiwan Stock Exchange Corporation. He was also appointed as an independent director of Array Inc., a technology company, whose shares are listed on the GreTai Securities Market.

Mr Lu Ming was appointed as an outside director of China Telecommunications Corporation on 29th March 2012, a state-owned telecom operator in China.

Mr Jun Nakagome was appointed as director of J-S Cube Inc. on 1st April 2012, a wholly-owned subsidiary of Mitsui. He was also appointed as a director of Moshi Moshi Hotline, Inc. on 22nd June 2012, an affiliated company of Mitsui, whose shares are listed on the Tokyo Stock Exchange.

Mr Wong Chi Keung was appointed as an independent non-executive director of Zhuguang Holdings Group Company Limited on 5th June 2012, a property investment company whose shares are listed on the Main Board of the Exchange.

Mr Chen Yen-Sung resigned as non-executive director of the Company on 22nd August 2012.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial information for the six months ended 30th June 2012 has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the interim results for the six months ended 30th June 2012.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of US0.46 cent (six months ended 30th June 2011: US0.63 cent) per share for the six months ended 30th June 2012 to shareholders.

The interim dividend is payable in cash to shareholders in US dollars save that those shareholders whose names appear on the register of members of the Company in Hong Kong will receive the equivalent amount in HK dollars and those shareholders whose names appear 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, 4th October 2012.

The dividend cheques will be distributed to shareholders on or about Friday, 12th October 2012.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Thursday, 4th October 2012 to Friday, 5th October 2012, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim 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 Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 3rd October 2012 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 5:00 p.m. on Wednesday, 3rd October 2012 (as the case may be).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company uses a number of formal communication channels to account for its performance to its shareholders. They include annual reports and interim reports, quarterly results announcements and annual general meetings.

The management personnel responsible for investor relations hold regular meetings with the media, equity research analysts, fund managers and investors. The Company also holds periodic presentations, road shows and conference calls for the international investment community.

BOARD COMPOSITION

As at the date of this report, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, seven non-executive directors, namely Mr Liu Liehong, Mr Lu Ming, Ms Wu Qun, Mr Xu Haihe, Mr Du Heping, Mr Tam Man Chi and Mr Jun Nakagome 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, 22nd August 2012

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2012

	Note	Unaudited Six months ended 30th June 2012 US$'000	2011 US$'000
Revenue	6	**5,129,246**	5,296,995
Cost of sales		**(4,778,246)**	(4,978,896)
Gross profit		**351,000**	318,099
Other income		**65,449**	12,275
Other gains — net		**65,113**	54,266
Selling and distribution expenses		**(208,781)**	(159,280)
Administrative expenses		**(97,493)**	(84,048)
Research and development expenses		**(120,150)**	(60,915)
Operating profit	6 & 7	**55,138**	80,397
Finance income		**4,585**	1,751
Finance costs		**(20,273)**	(5,235)
Finance costs — net	8	**(15,688)**	(3,484)
Share of profit/(loss) of:			
Associates		**3,037**	836
Jointly controlled entities		**(1,585)**	(899)
Profit before income tax		**40,902**	76,850
Income tax expense	9	**(11,016)**	(10,428)
Profit for the period		**29,886**	66,422

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2012

	Note	Unaudited Six months ended 30th June 2012 US$'000	 2011 US$'000
Profit attributable to:			
Owners of the Company		44,221	70,093
Non-controlling interests		(14,335)	(3,671)
		29,886	66,422
Earnings per share for profit attributable to owners of the Company	10		
— Basic		US1.89 cents	US2.99 cents
— Diluted		US1.89 cents	US2.99 cents
Dividends	11	10,789	14,777

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2012

	Unaudited Six months ended 30th June 2012 US$'000	 2011 US$'000
Profit for the period	**29,886**	66,422
Other comprehensive income		
Fair value losses on available-for-sale financial assets, net of tax	**(64)**	(661)
Exchange differences	**(18,324)**	7,798
Other comprehensive income for the period, net of tax	**(18,388)**	7,137
Total comprehensive income for the period	**11,498**	73,559
Attributable to:		
— Owners of the Company	**28,818**	77,230
— Non-controlling interests	**(17,320)**	(3,671)
	11,498	73,559

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH JUNE 2012

	Note	Unaudited 30th June 2012 US$'000	Audited 31st December 2011 US$'000
Assets			
Non-current assets			
Intangible assets	12	618,582	438,834
Property, plant and equipment	12	610,889	511,832
Land use rights	12	74,156	27,068
Investment properties	12	38,127	38,127
Investments in associates		33,908	31,470
Investments in jointly controlled entities		8,136	9,764
Available-for-sale financial assets		676	734
Derivative financial instruments		11,792	—
Deferred income tax assets		36,206	21,079
Prepayments and other receivables	13	6,636	14,705
		1,439,108	1,093,613
Current assets			
Inventories		1,487,409	1,010,323
Trade receivables	13	2,166,789	2,398,527
Deposits, prepayments and other receivables	13	453,292	398,871
Financial assets at fair value through profit or loss		7,293	5,855
Current income tax recoverable		3,832	3,128
Derivative financial instruments		82,240	35,840
Pledged bank deposits		6,142	7,209
Cash and cash equivalents		544,184	303,337
		4,751,181	4,163,090
Total assets		6,190,289	5,256,703

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2012

	Note	Unaudited 30th June 2012 US$'000	Audited 31st December 2011 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital	14	23,456	23,456
Other reserves		1,802,253	1,785,874
Dividends		10,789	21,345
		1,836,498	1,830,675
Non-controlling interests		30,688	(3,234)
Total equity		1,867,186	1,827,441

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT 30TH JUNE 2012

	Note	Unaudited 30th June 2012 US$'000	Audited 31st December 2011 US$'000
Liabilities			
Non-current liabilities			
Borrowings and loans	15	**252,602**	78,163
Deferred income tax liabilities		**10,427**	9,778
Pension obligations		**14,648**	6,017
Other payables and accruals	16	**300,916**	41,347
Derivative financial instruments		**478**	—
Other provision	17	**3,263**	—
		582,334	135,305
Current liabilities			
Trade payables	16	**2,380,903**	2,034,840
Other payables and accruals	16	**1,075,236**	787,471
Current income tax liabilities		**15,251**	13,471
Warranty and other provisions	17	**103,368**	71,325
Derivative financial instruments		**10,158**	24,850
Borrowings and loans	15	**155,853**	362,000
		3,740,769	3,293,957
Total liabilities		**4,323,103**	3,429,262
Total equity and liabilities		**6,190,289**	5,256,703
Net current assets		**1,010,412**	869,133
Total assets less current liabilities		**2,449,520**	1,962,746

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2012

	Unaudited													
	Attributable to owners of the Company													
	Share Capital US$'000	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund US$'000	Merger difference US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves US$000	Retained profits US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1st January 2012	23,456	759,464	68,202	12	15,860	(23,569)	74,071	10,001	(1,743)	7,854	(9,423)	906,490	(3,234)	1,827,441
Total comprehensive income for the period ended 30th June 2012, net of tax	–	–	–	–	–	(18,324)	–	–	(64)	–	–	44,221	(17,320)	8,513
Employee share option scheme:														
– Employee share-based compensation benefits	–	–	–	–	1,335	–	–	–	–	–	–	–	–	1,335
2011 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	(21,345)	–	(21,345)
Non-controlling interest arising on business combination	–	–	–	–	–	–	–	–	–	–	–	–	14,114	14,114
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	37,128	37,128
Total transactions with owners	–	–	–	–	1,335	–	–	–	–	–	–	(21,345)	51,242	31,232
Balance at 30th June 2012	23,456	759,464	68,202	12	17,195	(41,893)	74,071	10,001	(1,807)	7,854	(9,423)	929,366	30,688	1,867,186
Represented by:														
Reserves												918,577		
Proposed interim dividend												10,789		
Balance at 30th June 2012												929,366		

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2011

	Unaudited														
	Attributable to owners of the Company														
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund US$'000	Merger difference US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Convertible bonds US$'000	Other reserves US$000	Retained profits US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1st January 2011	23,458	759,555	68,202	12	10,892	16,697	64,933	10,001	35	5,308	58,271	(9,423)	785,550	2,529	1,796,020
Total comprehensive income for the period ended 30th June 2011, net of tax	–	–	–	–	–	7,798	–	–	(661)	–	–	–	70,093	(3,671)	73,559
Employee share option scheme:															
– Employee share-based compensation benefits	–	–	–	–	2,487	–	–	–	–	–	–	–	–	–	2,487
Repurchase of shares	(2)	(91)	–	–	–	–	–	–	–	–	–	–	–	–	(93)
2010 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	–	(32,842)	–	(32,842)
Total transactions with owners	(2)	(91)	–	–	2,487	–	–	–	–	–	–	–	(32,842)	–	(30,448)
Balance at 30th June 2011	23,456	759,464	68,202	12	13,379	24,495	64,933	10,001	(626)	5,308	58,271	(9,423)	822,801	(1,142)	1,839,131
Represented by:															
Reserves													808,024		
Proposed interim dividend													14,777		
Balance at 30th June 2011													822,801		

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE 2012

	Note	Unaudited Six months ended 30th June 2012 US$'000	 2011 US$'000
Cash flows from operating activities			
Net cash generated from operations		**410,497**	357,234
Interest paid		**(20,273)**	(5,235)
Income tax paid		**(24,418)**	(27,887)
Net cash generated from operating activities		**365,806**	324,112
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment		**1,542**	1,379
Purchase of property, plant and equipment	12	**(55,577)**	(90,283)
Purchase of intangible assets	12	**—**	(800)
Purchase of land use rights		**(38,444)**	—
Proceeds from disposal of financial assets at fair value through profit and loss		**78**	—
Proceeds from disposal of land use right	13	**17,592**	—
Investments in associates		**—**	(6,250)
Dividend from an associate		**1,843**	2,849
Interest received		**4,585**	1,751
Acquisition of a subsidiary, net of cash acquired	20	**6,945**	(1,650)
Net cash used in investing activities		**(61,436)**	(93,004)

The accompanying notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30TH JUNE 2012

	Note	Unaudited Six months ended 30th June 2012 US$'000	2011 US$'000
Cash flows from financing activities			
Dividends paid to owners and non-controlling interests		**(21,345)**	(32,842)
Issue of note payable		**—**	75,812
Net repayment of payables under discounting arrangements		**(33,773)**	—
Inception of subordinated loans		**173,580**	—
Repayments of borrowings and loans		**(205,288)**	(230,631)
Repayment for derivative financial instruments — interest rate swap		**(1,000)**	(1,500)
Pledged bank deposits		**1,067**	(20,633)
Repurchase of shares		**—**	(93)
Contribution to a subsidiary from its non-controlling interest		**37,128**	—
Net cash generated from financing activities		**(49,631)**	(209,887)
Net increase in cash and cash equivalents		**254,739**	21,221
Cash and cash equivalents at beginning of the period		**303,337**	184,426
Exchange difference		**(13,892)**	4,448
Cash and cash equivalents at end of the period		**544,184**	210,095
Analysis of cash and cash equivalents:			
Bank balances and cash		**544,184**	210,095

The accompanying notes are an integral part of this condensed consolidated interim financial information.

1 GENERAL INFORMATION

TPV Technology Limited (the "Company") and its subsidiaries (together the "Group") designs, manufactures and sells computer monitors and flat TV products. The Group manufactures mainly in the People's Republic of China (the "PRC"), Europe and South America and sells to Europe, North and South America, the PRC, Asian countries and the rest of the world.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Exchange") and secondary listing on Singapore Exchange Limited.

This condensed consolidated interim financial information is presented in US dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 22nd August 2012.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2011, as described in those annual financial statements.

(a) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ACCOUNTING POLICIES (CONTINUED)

(b) The following revised standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2012:

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 amendment is applicable retrospectively to annual periods beginning on or after 1st January 2012 with early adoption permitted. The adoption of this revised standard had no material financial effect on the Group's result and financial position for the current or prior periods.

HKFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for first-time adopters". This amendment includes two changes to HKFRS 1, "First-time adoption of HKFRS". The first replaces references to a fixed date of 1st January 2004 with "the date of transition to HKFRSs", thus eliminating the need for entities adopting HKFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to HKFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with HKFRSs after a period when the entity was unable to comply with HKFRSs because its functional currency was subject to severe hyperinflation. The adoption of this amendment to standard had no material financial effect on the Group's result and financial position for the current or prior periods.

Amendments to HKFRS 7 (revised), "Financial Instruments: Disclosures", issued in October 2010. The amendments require additional disclosures for risk exposures arising from transferred financial assets and no disclosures are required for prior periods. The adoption of this revised standard and amendment to standard had no material financial effect on the Group's result and financial position for the current or prior periods.

There are no other revised standards or amendments to standards that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

3 ACCOUNTING POLICIES (CONTINUED)

(c) The following revised standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1st January 2012 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1st January 2015
HKFRS 10	Consolidated financial statements	1st January 2013
HKFRS 11	Joint arrangements	1st January 2013
HKFRS 12	Disclosure of interests in other entities	1st January 2013
HKFRS 13	Fair value measurement	1st January 2013
HKAS 1 (amendment)	Presentation of financial statements	1st July 2012
HKAS 19 (amendment)	Employee benefits	1st January 2013
HKAS 27 (revised 2011)	Separate financial statements	1st January 2013
HKAS 28 (revised 2011)	Investments in associates and joint ventures	1st January 2013
HKAS 32 (amendment)	Offsetting financial assets and financial liabilities	1st January 2014
HK (IFRIC) — Int 20	Stripping costs in the production phase of a surface mine	1st January 2013

The directors of the Company anticipate that the adoption of the above revised standards, amendments to standards and interpretation may result in new or amended presentation and disclosures on the condensed consolidated interim financial information, but will have no significant impact on the Group's results and financial position. The directors of the Company will adopt the revised standards, amendments to standards and interpretation when they become effective.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

4 ESTIMATES (CONTINUED)

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2011, except for the significant judgements and estimates made in accounting for the business combination for the six months ended 30th June 2012 which are set out in note 20.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2011.

There have been no significant changes in the risk management since year end or in any risk management policies.

5.2 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 banking facilities (Note 15) 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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet, the Group holds cash and cash equivalents of US$544,184,000 (31st December 2011: US$303,337,000) and trade receivables of US$2,166,789,000 (31st December 2011: US$2,398,527,000) that are expected to readily generate cash inflows for managing liquidity risk. In addition, the Group holds listed equity securities for trading of US$7,293,000 (31st December 2011: US$5,855,000), 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 and enter into other discounting arrangements should there be additional liquidity needs.

The Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

The contractual undiscounted cash flows at 30th June 2012 are as follows:

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
Borrowings and loans	155,853	79,968	190,260	426,081
Interest payments on borrowings	10,197	9,950	7,655	27,802
Derivative financial instruments	10,158	478	—	10,636
Trade payables	2,380,903	—	—	2,380,903
Other payables and accruals	1,075,236	160,909	290,171	1,526,316

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (Continued)

The contractual undiscounted cash flows at 31st December 2011 are as follows:

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
Borrowings and loans	362,000	—	79,365	441,365
Interest payments on borrowings	4,638	3,373	1,687	9,698
Derivative financial instruments	24,850	—	—	24,850
Trade payables	2,034,840	—	—	2,034,840
Other payables and accruals	787,471	20,517	20,830	828,818
Financial guarantee contracts	16,570	—	—	16,570

5.3 Fair value estimation

Financial instruments are 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).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The financial instruments that are measured at fair value at 30th June 2012 are as follows:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets	237	—	439	676
Financial assets at fair value through profit or loss	7,293	—	—	7,293
Derivatives financial instruments	—	89,555	4,477	94,032
	7,530	89,555	4,916	102,001
Liabilities				
Derivatives financial instruments	—	10,636	—	10,636

The financial instruments that are measured at fair value at 31st December 2011 are as follows:

	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
Derivatives financial instruments	—	35,840	—	35,840
	6,156	35,840	433	42,429
Liabilities				
Derivatives financial instruments	—	24,850	—	24,850

6 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 period ended, one more operating segment, TP Vision's TV business, was identified as result of the acquisition of 70% equity interest of 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 as separately reviewed by the chief operating decision-maker, TP Vision Group's TV business is considered as a separate reportable segment. The segment information for the six months ended 30th June 2011 and as at 31s December 2011 has been reclassified to align with the presentation of the latest segment information disclosure.

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. Acquisition-related costs, 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. 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 unallocated assets, which are managed on a central basis. These are included in the reconciliation to total balance sheet assets. There has been no material change in total assets from the amount disclosed in the last annual financial statements.

6 SEGMENT INFORMATION (CONTINUED)

Segment liabilities mainly comprise pension obligations, trade payables, other payables and accruals and warranty provisions. They exclude current income tax liabilities, deferred income tax liabilities, borrowings and loans and 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 condensed consolidated interim income statement.

The segment results for the six months ended 30th June 2012 are as follows:

	For the six months ended 30th June 2012				
	Monitors US$'000	TVs US$'000	TP Vision — TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers	2,769,952	997,771	720,818	640,705	5,129,246
Inter-segment revenue	—	365,837	—	—	365,837
	2,769,952	1,363,608	720,818	640,705	5,495,083
Adjusted operating profit/(loss)	54,810	3,148	15,707	(5,664)	68,001
Depreciation of property, plant and equipment	19,665	30,503	6,238	1,878	58,284
Amortisation of land use rights	—	—	—	321	321
Amortisation of intangible assets	2,300	4,522	14,865	399	22,086
Capital expenditure	38,220	55,519	5,107	4,175	103,021

6 SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30th June 2011 (restated)				
	Monitors US$'000	TVs US$'000	TP Vision — TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers	2,938,413	1,768,930	—	589,652	5,296,995
Inter-segment revenue	—	—	—	—	—
	2,938,413	1,768,930	—	589,652	5,296,995
Adjusted operating profit	94,267	63	—	3,630	97,960
Depreciation of property, plant and equipment	26,499	26,423	—	1,716	54,638
Amortisation of land use rights	—	—	—	320	320
Amortisation of intangible assets	1,883	4,522	—	359	6,764
Capital expenditure	32,078	52,178	—	6,827	91,083

The segment assets and liabilities as at 30th June 2012 are as follows:

	As at 30th June 2012				
	Monitors US$'000	**TVs US$'000**	**TP Vision — TVs US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**2,452,644**	**1,413,843**	**1,226,910**	**350,237**	**5,443,634**
Segment liabilities	**(1,577,483)**	**(646,364)**	**(1,091,567)**	**(287,337)**	**(3,602,751)**

6 SEGMENT INFORMATION (CONTINUED)

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

	As at 31st December 2011 (restated)				
	Monitors	TVs	TP Vision — TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000	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 total profit before income tax is provided as follows:

	Six months ended 30th June	
	2012	2011 (restated)
	US$'000	US$'000
Adjusted operating profit for reportable segments	**68,001**	97,960
Unallocated income	**11,841**	4,771
Unallocated expenses	**(24,704)**	(22,334)
Operating profit	**55,138**	80,397
Finance income	**4,585**	1,751
Finance costs	**(20,273)**	(5,235)
Share of profits less losses of associates	**3,037**	836
Share of profits less losses of jointly controlled entities	**(1,585)**	(899)
Profit before income tax	**40,902**	76,850

6 SEGMENT INFORMATION (CONTINUED)

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

	30th June 2012 US$'000	31st December 2011 (restated) US$'000
Segment assets	**5,443,634**	4,737,419
Investment properties	**38,127**	38,127
Investments in associates	**33,908**	31,470
Investments in jointly controlled entities	**8,136**	9,764
Available-for-sale financial assets	**676**	734
Deferred income tax assets	**36,206**	21,079
Financial assets at fair value through profit or loss	**7,293**	5,855
Current income tax recoverable	**3,832**	3,128
Pledged bank deposits	**6,142**	7,209
Cash and cash equivalents	**544,184**	303,337
Other unallocated assets	**68,151**	98,581
Total assets	**6,190,289**	5,256,703

6 SEGMENT INFORMATION (CONTINUED)

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

	30th June 2012 US$'000	31st December 2011 (restated) US$'000
Segment liabilities	**3,602,751**	2,645,857
Current income tax liabilities	**15,251**	13,471
Deferred income tax liabilities	**10,427**	9,778
Borrowings and loans	**408,455**	440,163
Other unallocated liabilities	**286,219**	319,993
Total liabilities	**4,323,103**	3,429,262

The segment revenue from external customers by geography is as follows:

	Six months ended 30th June	
	2012 US$'000	2011 (restated) US$'000
Europe	**1,422,015**	1,460,008
North America	**909,035**	834,394
South America	**548,262**	564,030
Africa	**7,761**	23,627
Australia	**35,660**	36,390
The PRC	**1,450,859**	1,511,981
Rest of the world	**755,654**	866,565
	5,129,246	5,296,995

6 SEGMENT INFORMATION (CONTINUED)

At 30th June 2012, the total of non-current assets other than financial instruments and deferred income tax assets located in the PRC is US$442,750,000 (31st December 2011: US$465,904,000), and the total of these non-current assets located in other countries is US$947,684,000 (31st December 2011: US$605,896,000).

For the six months ended 30th June 2012, revenues of approximately US$632,216,000 (for the six months ended 30th June 2011: US$495,684,000) are derived from a single external customer. These revenues are attributable to the sales of monitors, TVs and others. This customer is also the largest debtor at the balance sheet date.

7 OPERATING PROFIT

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

	Six months ended 30th June	
	2012	2011
	US$'000	US$'000
Gain from a bargain purchase of subsidiaries (Note 20)	**20,749**	610
Net exchange (losses)/gains	**(51,536)**	43,488
Realised and unrealised gains on foreign exchange forward contracts — net	**87,099**	5,197
Realised and unrealised gains on interest rate swaps — net	**17**	1,009
Realised and unrealised gains on cross currency swaps — net	**8,987**	—
Fair value gains on financial assets at fair value through profit or loss	**1,529**	71
Loss on disposal of financial assets at fair value through profit or loss	**(92)**	—
Brand promotion fee	**19,034**	—
Compensation for product launch delay	**22,510**	—
Provision for impairment of trade receivables	**(2,268)**	(366)
Reversal/(write-down) of inventories to net realisable value	**1,594**	(1,835)
Employee benefit expense (including directors' emoluments)	**(293,598)**	(211,407)
Depreciation of property, plant and equipment (Note 12)	**(58,284)**	(54,638)
Amortisation of land use rights (Note 12)	**(321)**	(320)
Amortisation of intangible assets (Note 12)	**(22,086)**	(6,764)
Loss on disposal of property, plant and equipment	**(290)**	(397)
Fair value gains on revaluation of investment properties (Note 12)	**—**	3,890
Impairment losses on property, plant and equipment (Note 12)	**(1,180)**	—
Charge for warranty and other provisions (Note 17)	**(82,246)**	(41,581)
Acquisition-related costs (Note 20)	**(3,933)**	(116)

8 FINANCE COSTS — NET

	Six months ended 30th June	
	2012	2011
	US$'000	US$'000
Interest expense on bank borrowings	**5,703**	4,198
Interest expense on subordinated loans	**2,792**	—
Unwinding of interests on license fee payable and contingent consideration payable	**9,838**	—
Interest expense on note payable	**1,940**	1,037
	20,273	5,235
Interest income on short-term bank deposits	**(4,585)**	(1,751)
Finance costs — net	**15,688**	3,484

No borrowing costs were capitalised during the six months ended 30th June 2012 and 2011.

9 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 six months ended 30th June 2012 (six months ended 30th June 2011: Nil).

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30th June 2012 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

9 INCOME TAX EXPENSE (CONTINUED)

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

	Six months ended 30th June	
	2012	2011
	US$'000	US$'000
Current income tax — overseas taxation	**25,494**	17,860
Deferred income tax credit	**(14,478)**	(7,432)
Income tax expense	**11,016**	10,428

10 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 period.

	Six months ended 30th June	
	2012	2011
Profit attributable to owners of the Company (US$'000)	**44,221**	70,093
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,835
Basic earnings per share (US cents per share)	**1.89**	2.99

10 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.

	Six months ended 30th June	
	2012	2011
Profit attributable to owners of the Company and used to determine diluted earnings per share (US$'000)	**44,221**	70,093
Weighted average number of ordinary shares in issue and for diluted earnings per share (thousands)	**2,345,636**	2,345,835
Diluted earnings per share (US cents per share)	**1.89**	2.99

Diluted earnings per share for the six months ended 30th June 2012 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

11 DIVIDENDS

	Six months ended 30th June	
	2012	2011
	US$'000	US$'000
Interim, of US0.46 cent (2011: US0.63 cent) per ordinary share	**10,789**	14,777

An interim dividend of US0.46 cent per share (2011: US0.63 cent per share) was declared by the board of directors on 22nd August 2012. It is payable on or about 12th October 2012 to shareholders who are on the register as at 4th October 2012. This interim dividend, amounting to US$10,789,000 (2011: US$14,777,000), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31st December 2012.

12 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment	Land use rights	Investment properties	Intangible assets			
				Goodwill	Trademarks	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Six months ended 30th June 2012							
Opening net book amount as at 1st January 2012	511,832	27,068	38,127	389,098	47,400	2,336	438,834
Exchange differences	(13,027)	(35)	—	—	(10,675)	(856)	(11,531)
Additions	55,577	47,444	—	—	—	—	—
Additions through business combination (Note 20)	117,803	—	—	—	195,740	17,625	213,365
Disposals	(1,832)	—	—	—	—	—	—
Impairment	(1,180)	—	—	—	—	—	—
Depreciation and amortisation	(58,284)	(321)	—	—	(17,424)	(4,662)	(22,086)
Closing net book amount as at 30th June 2012	610,889	74,156	38,127	389,098	215,041	14,443	618,582
Six months ended 30th June 2011							
Opening net book amount as at 1st January 2011	458,958	27,408	28,246	389,098	15,460	2,240	406,798
Exchange differences	3,168	182	—	—	—	—	—
Net gain from fair value adjustment	—	—	3,890	—	—	—	—
Additions	90,283	—	—	—	45,220	800	46,020
Disposals	(1,776)	—	—	—	—	—	—
Transfers	(2,950)	—	2,950	—	—	—	—
Depreciation and amortisation	(54,638)	(320)	—	—	(6,432)	(332)	(6,764)
Closing net book amount as at 30th June 2011	493,045	27,270	35,086	389,098	54,248	2,708	446,054

13 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30th June 2012 US$'000	31st December 2011 US$'000
Non-current		
Prepayments and other receivables	6,636	14,705
Current		
Trade receivables	2,184,240	2,413,710
Less: Provision for impairment of trade receivables	(17,451)	(15,183)
Trade receivables, net	2,166,789	2,398,527
Deposits	4,909	5,129
Prepayments	48,484	27,041
Other receivables		
— Value-added tax refundable	259,522	222,174
— Receivables from disposal of land use right	47,170	64,762
— Others	93,207	79,765
Current portion — Trade receivables, deposits, prepayments and other receivables	2,620,081	2,797,398

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

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

13 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

As at 30th June 2012 and 31st December 2011, the ageing analysis of trade receivables based on invoice date was as follows:

	30th June 2012 US$'000	31st December 2011 US$'000
0–30 days	1,239,610	1,108,577
31–60 days	621,291	847,772
61–90 days	233,485	351,597
91–120 days	47,165	61,739
Over 120 days	42,689	44,025
	2,184,240	2,413,710

14 SHARE CAPITAL

	30th June 2012 US$'000	31st December 2011 US$'000
Authorised:		
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

14 SHARE CAPITAL (CONTINUED)

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

	2012 Number of issued ordinary shares of US$0.01 each	2012 Par value US$'000	2011 Number of issued ordinary shares of US$0.01 each	2011 Par value US$'000
Opening balance at 1st January	**2,345,636,139**	**23,456**	2,345,836,139	23,458
Repurchase of shares	**—**	**—**	(200,000)	(2)
Closing balance at 30th June	**2,345,636,139**	**23,456**	2,345,636,139	23,456

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

		Number of share options				
Date of grant	**Exercise price**	**At 1st January 2012**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**At 30th June 2012**
12th December 2007	HK$5.750	20,138,026	—	—	(360,000)	19,778,026
18th January 2011	HK$5.008	44,080,000	—	—	(2,200,000)	41,880,000

For the six months ended 30th June 2012, 2,560,000 share options (six months ended 30th June 2011: 80,000) were lapsed as a result of the cessation of employment of certain employees.

15 BORROWINGS AND LOANS

	30th June 2012 US$'000	31st December 2011 US$'000
Non-current		
Note payable (Note a)	77,670	78,163
Bank borrowings (Note b)	1,352	—
Subordinated loans (Note b)	173,580	—
	252,602	78,163
Current		
Bank borrowings (Note b)	155,853	362,000
Total borrowings and loans	408,455	440,163

Movements in borrowings and loans are analysed as follows:

	Six months ended 30th June	
	2012 US$'000	2011 US$'000
Opening amount at 1st January	440,163	472,533
Net repayment of borrowings and loans	(31,708)	(230,631)
Issue of note payable	—	75,812
Closing amount as at 30th June	408,455	317,714

15 BORROWINGS AND LOANS (CONTINUED)

Notes:

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

(b) Subordinated loans represent loans provided by Koninklijke Philips Electronics N.V. pursuant to the Term Loan Agreement and the Shareholders' Loan Agreement, both dated 1st April 2012. The fair values of bank borrowings and subordinated loans approximate their carrying amounts, as these bear interest at floating rates which are market dependent.

(c) The Group has the following undrawn bank loan and trade finance facilities:

	30th June 2012 US$'000	31st December 2011 US$'000
Total available and undrawn facilities	**3,108,985**	2,638,911

16 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30th June 2012 US$'000	31st December 2011 US$'000
Non-current		
Accrued employee benefits	5,419	6,063
Brand promotion fee received	61,518	—
License fee payable	217,347	33,649
Contingent consideration payable	12,067	—
Others	4,565	1,635
	300,916	41,347
Current		
Trade payables	2,380,903	2,034,840
Other payables and accruals		
— Accrued employee benefits	115,054	80,462
— Accrued operating expenses	158,511	75,748
— Brand promotion fee received	73,080	—
— Duty and tax payable other than income tax	107,000	57,139
— License fee payable	19,855	21,671
— Payables under discounting arrangements	286,220	319,993
— Payables for purchase of plant and equipment	45,578	75,192
— Payable to non-controlling interest in a subsidiary	94,576	—
— Others	175,362	157,266
	3,456,139	2,822,311

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

16 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

As of 30th June 2012 and 31st December 2011, the ageing analysis of trade payables based on invoice date was as follows:

	30th June 2012 US$'000	31st December 2011 US$'000
0–30 days	931,131	781,925
31–60 days	808,875	614,787
61–90 days	352,014	283,727
Over 90 days	288,883	354,401
	2,380,903	2,034,840

17 WARRANTY AND OTHER PROVISIONS

	Six months ended 30th June			
	2012 US$'000 Warranty provision	2012 US$'000 Restructuring provision	2012 US$'000 Warranty and other provisions total	2011 US$'000 Warranty provision total
Opening amount as at 1st January	71,325	—	71,325	70,312
Exchange difference	(472)	(811)	(1,283)	—
Charged to the income statement (Note 7)	55,569	26,677	82,246	41,581
Utilised during the period	(45,657)	—	(45,657)	(40,567)
Closing amount as at 30th June	80,765	25,866	106,631	71,326

17 WARRANTY AND OTHER PROVISIONS (CONTINUED)

	30th June 2012	31st December 2011
Analysis of warranty and other provisions:		
— Non-current liabilities	3,263	—
— Current liabilities	103,368	71,325
Total	106,631	71,325

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period ranging from twelve months to thirty-six months on average. The provision as of 30th June 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$25,866,000 was recognised in respect of the restructuring of TV business of TP Vision as at 30th June 2012. This restructuring was still in process as at 30th June 2012.

18 CORPORATE GUARANTEES

	30th June 2012 US$'000	31st December 2011 US$'000
Guarantees in respect of banking facilities granted to associates	—	16,570

19 CONTINGENT LIABILITIES

The Group has a number of legal and other proceedings as at 30th June 2012. The directors closely monitor the outstanding complaints and disputes over patents and assess the outcome of these accordingly. The directors are of the opinion that even if the outcome of the following litigations and complaints turn out to be unfavourable, the directors consider that their future settlement, in aggregate, may not have any material financial impact on the Group as a whole.

19 CONTINGENT LIABILITIES (CONTINUED)

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

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

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

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

(i) they had infringed, actively induced, contributed to the infringement of Patent II by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

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

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

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

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

19 CONTINGENT LIABILITIES (CONTINUED)

(d) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and another third party company. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent III").

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

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

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

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

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

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.

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

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

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

19 CONTINGENT LIABILITIES (CONTINUED)

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

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

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

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

The directors are of the opinion that while the proceedings are still ongoing before the U.S. International Trade Commission, it is not probable to assess the outcome of the case for the time being.

20 BUSINESS COMBINATIONS

On 1st April 2012, the Group completed the acquisition of a 70% equity interest in TP Vision Group from Koninklijke Philips Electronics N.V. (“Philips”) pursuant to the Share Purchase Agreement (“SPA”) dated 1st November 2011. Philips retains the remaining 30% equity interest in TP Vision Group and has the right to sell or transfer this interest to the Group pursuant to the Shareholders’ Agreement dated 1st April 2012.

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.

The 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 provisional gain on bargain purchase of US$20,749,000 has been recognised in the Condensed Consolidated Interim 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.

20 BUSINESS COMBINATIONS (CONTINUED)

(a) Calculation of the gain on bargain purchase

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

	US$'000
Purchase consideration	
— Cash	—
— Contingent consideration	(12,184)
Total purchase consideration	(12,184)
Less: Fair value of the net assets acquired (note 20b)	32,933
Gain on bargain purchase	20,749

The contingent consideration for the 70% equity interest of TP Vision 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 and 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 (the "Last Year"), 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 amount to EUR19,876,000 (equivalent to US$25,044,000).

The present value of contingent consideration is included in non-current liabilities in the Group's Condensed Consolidated Interim Balance Sheet.

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. Judgement is applied to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payable amount. 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 in accordance with HKFRS 3 (Revised).

20 BUSINESS COMBINATIONS (CONTINUED)

(b) Net assets acquired

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

	Provisional fair values
	US$'000
Property, plant and equipment	117,803
Intangible assets	213,365
Inventories	183,938
Cash and cash equivalents	6,945
Other non-current assets	20,189
Other current assets	87,917
Retirement benefit obligations	(13,156)
Other payables, accruals and other provisions	(569,954)
Provisional fair values of net assets	47,047
Non-controlling interest	(14,114)
Provisional fair values of net assets acquired	32,933

As at the date of the interim financial report, the valuation assessments have not yet been completed and the Group has not finalised the fair value assessments for all the assets acquired and liabilities assumed. On this basis, the relevant fair values of the net assets acquired are stated above on a provisional basis.

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

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

The acquisition-related costs of US$3,933,000 have been charged to administrative expenses in the condensed consolidated income statement for the period ended 30th June 2012.

20 BUSINESS COMBINATIONS (CONTINUED)

(c) 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	6,945
Cash inflow on acquisition	6,945

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

The acquired business contributed revenues from external customers of US$720,818,000 and operating profit of US$15,707,000 to the Group for the period from 1st April 2012 to 30th June 2012. As the TV operations of Philips were integral to its other businesses until the end of March 2012, it is impracticable to estimate the net contribution of TP Vision to the Group should the acquisition had occurred on 1st January 2012. On this basis, no disclosure was made to this effect within these interim financial information.

The following table summarises significant assets and liabilities of TP Vision Group as at 30th June 2012 at gross amounts before any consolidation eliminations:

	30th June 2012 US$'000
Capital assets:	
— Property, plant and equipment	**106,343**
— Intangible assets	**186,969**
Working capital assets/(liabilities):	
— Inventory	**309,191**
— Trade receivables	**622,047**
— Trade payables	**(762,107)**
Net debt:	
— Cash and cash equivalents, including short-term bank borrowings	**407,881**
— Shareholders' loan	**(214,200)**

20 BUSINESS COMBINATIONS (CONTINUED)

(e) Transactions with Philips separate from the acquisition

Following from its acquisition, TP Vision Group entered into agreements with Philips in respect of the provision of certain transitional services by Philips to TP Vision.

TP Vision Group is entitled to charge Philips a brand promotion fee up to EUR172 million (equivalent to US$216,720,000) in five years from the acquisition date and a compensation amount up to EUR32 million (equivalent to US$40,320,000) due to the delay in the launch of certain products.

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

21 COMMITMENTS

(a) Capital commitments

	30th June 2012 US$'000	31st December 2011 US$'000
Capital commitments for plant and equipment		
— Contracted but not provided for	**58,784**	75,676
Capital commitments for investment		
— Contracted but not provided for	**22,013**	—

21 COMMITMENTS (CONTINUED)

(b) Operating lease commitments — Group as lessee

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

	30th June 2012 US$'000	31st December 2011 US$'000
Not later than one year	23,170	19,034
Later than one year and not later than five years	20,247	13,463
Later than five years	10,422	8,425
	53,839	40,922

(c) Operating lease commitments — Group as lessor

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

	30th June 2012 US$'000	31st December 2011 US$'000
Not later than one year	2,770	3,204
Later than one year and not later than five years	1,977	4,343
	4,747	7,547

22 RELATED PARTY TRANSACTIONS

As at 30th June 2012, the major shareholders of the Company are CEC, Mitsui and CMI, which owned 35.06%, 20.19% and 6.42% of the Company's issued shares respectively.

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

(a) Significant transactions with related parties

During the six months ended 30th June 2012 and 2011, the Group had the following significant transactions with its associates, jointly controlled entities and its shareholders/substantial shareholders, CEC, Mitsui and CMI.

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

	Six months ended 30th June	
	2012	2011
	US$'000	US$'000
Sales of finished goods to associates	**140,734**	178,580
Sales of finished goods to a jointly controlled entity	**27**	2
Sales of finished goods to CEC and its subsidiaries	**12,904**	815
Sales of finished goods to Mitsui	**207**	17,792
Sales of finished goods to CMI and its subsidiaries	**3**	—
Purchases of raw materials from associates	**(21,553)**	(12,745)
Purchases of raw materials from jointly controlled entities	**(17,594)**	(92,499)
Purchases of raw materials from Mitsui	**(335)**	(23,372)
Purchases of raw materials from CMI and its subsidiaries	**(336,147)**	(336,913)
Rental income from an associate	**1,452**	1,175
Rental income from a jointly controlled entity	**451**	488

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

In April 2012, the Group entered into an agreement with a subsidiary of CEC to establish a new joint venture company ("Nanjing JV") in Nanjing, the PRC, with a registered capital of RMB17,500,000,000 (equivalent to US$2,777,381,000). The Nanjing JV will engage in manufacturing of large size panels, research and development and provision of after-sales service, 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 the equity interest. Pursuant to the Agreement, the Company has sole discretion to exercise an option to require CEC Panda to acquire the 0.8% equity interests owned by the Company ("put option") at a consideration of RMB140,000,000 (equivalent to US$22,013,000), plus interest of 4% per annum. At 30th June 2012, CEC and the Group were still in the process of establishing this Nanjing JV.

(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:

	Six months ended 30th June	
	2012	2011
	US$'000	US$'000
Salaries and other short-term employee benefits	**633**	636
Share-based payments	**130**	221
	763	857

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Period/year-end balances

	30th June 2012 US$'000	31st December 2011 US$'000
Receivables from related parties:		
Associates (Note (i))	**110,931**	104,631
Jointly controlled entities (Note (i))	**5,124**	309
Shareholders/Substantial shareholders and their subsidiaries (Note (ii))	**6,597**	14
Payables to related parties:		
Associates (Note (i))	**24,381**	26,392
Jointly controlled entities (Note (i))	**11,467**	5,421
Shareholders/Substantial shareholders and their subsidiaries (Note (iii))	**96,238**	81,997

Notes:

(i) Receivables from and payables to associates and jointly controlled entities were presented in the condensed consolidated interim balance sheet within trade receivables, deposits, prepayments and other receivables, and trade payables, and other payables and accruals, respectively.

(ii) Receivables from substantial shareholders and their subsidiaries of US$6,597,000 (2011: US$14,000) were presented in the condensed consolidated interim balance sheet within trade receivables.

(iii) Payables to substantial shareholders and their subsidiaries of US$96,238,000 (2011: US$81,997,000) were presented in the condensed consolidated interim balance sheet within trade payables.

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

23 SEASONALITY OF OPERATIONS

The sales of computer monitors and flat TVs are subject to seasonal fluctuations, with peak demand in the third and fourth quarters of the year. This is due to seasonal holiday periods.

www.tpv-tech.com