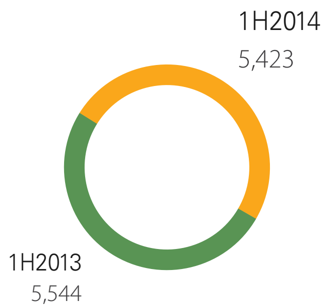
Interim Report 2014

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

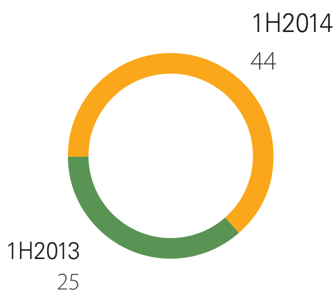
Contents

Financial **Highlights**

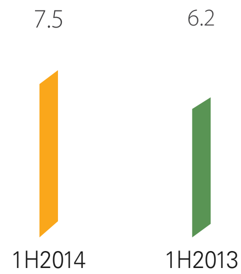
Revenue
(US$ Million)



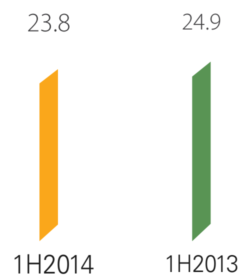
Loss Attributable To Equity Holders
(US$ Million)



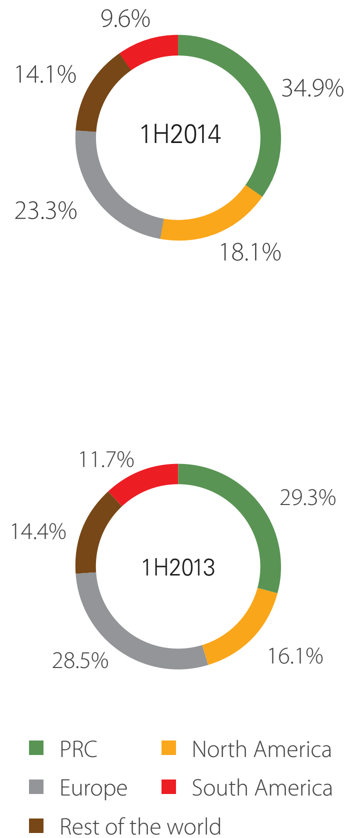
LCD TVs
(Million Units)



Monitors
(Million Units)



Geographical Contribution
(%)



Business Review

Global demand for TVs grew 4 percent year-on-year to 94.5 million units in the first half of 2014. The growth was stimulated by a high demand for TV sets in Latin America and Asia Pacific during the World Cup period. This compensated for the sluggish demand in both the developed markets and in China, which reported an 11 percent drop in shipments amid concern over slowing economic growth. During this period, worldwide monitor shipments fell by 3 percent in tandem with the slow PC market.

After reporting five consecutive quarters of operating losses, TPV managed to turn things around financially in 2Q14, recording a modest profit of US$6.2 million, owing to better margin realization and inventory control. Revenue in 2Q14 increased by 11.6 percent quarter-on-quarter to US$2.8 billion in the three months ended June 30. Overall shipments grew 7.8 percent, attributable to a surge in Original Design Manufacturing ("ODM") orders in TV business, as monitor shipments remained stable. Gross profit ("GP") margin was at a satisfactory 8.2 percent, albeit 70 basis points lower than 1Q's 8.9 percent.

Despite the recovery in the second quarter, TPV's first half financial results were impacted by a very weak first quarter. Consolidated revenue for the first six months of the year dipped 2.2 percent to US$5.4 billion (1H2013: US$5.5 billion). In the face of a depreciating Renminbi and the one-time charge incurred by the restructuring of the Group's R&D department in Europe, TPV sustained a loss attributable to shareholders of US$44.2 million, or a loss per share of US1.89 cents.

With TP Vision going through a major restructuring period, a conservative sales plan was mapped out to cope with the changes and the demands on resources. In spite of this, the Group's TV shipments for the first six months were 21 percent higher than a year ago, at 7.5 million units (1H2013: 6.2 million units). However, the segment revenue was the same as last year, at US$2.2 billion (1H2013: US$2.3 billion), due to price erosion and an increased percentage of lower-end ODM orders. The segment's average selling price ("ASP") came down from US$366.1 a year ago to US$293.00, and the GP margin was 10.5 percent (1H2013: 10 percent) during the period under review.

The shipment of monitors declined by 4 percent to 23.8 million units, compared to 24.9 million units in the first half of 2013. Nevertheless, revenue for this business segment held up at US$2.5 billion (1H2013: US$2.6 billion), supported by an increase in ASP — from US$104.60 a year ago to US$106.10, a rise attributable to an increase in average screen size and new product features. GP margin for the segment was higher, at 8.2 percent, compared with 7 percent a year ago.

Geographically, revenue from China increased during the reviewing period to 34.9 percent of the total (1H2013: 29.3 percent), helped by a surge in ODM TV shipments. Demand from Europe remained slow and its contribution fell to 23.3 percent (1H2013: 28.5 percent), while North America increased its contribution to 18.1 percent (1H2013: 16.1 percent). South America's 9.6 percent (1H2013: 11.7 percent) and the rest of the world's 14.1 percent (1H2013: 14.4 percent) made up the balance.

Outlook

Although the interim results do not give cause for a sanguine outlook, the Group is surely and steadily transforming itself into a leaner and more efficient organisation. With a much improved cost structure and a stronger product line up in place, TPV is in a good position to compete and return to profit despite a challenging operating environment.

The regional conflict in Eastern Europe caused uncertainties in Europe's economic recovery and clouded market demand. Barring unforeseeable obstacles, the management believes that the worst challenges are behind us and the Group will continue to improve in the second half year.

Liquidity, Financial Resources and Capital Structure

As at 30th June 2014, the Group's cash and bank balances (including pledged bank deposit) totaled US$550.6 million (31st December 2013: US$370.1 million). Credit facilities secured from banks totaled US$4.5 billion (31st December 2013: US$4.5 billion), of which US$1.3 billion was utilized (31st December 2013: US$1.5 billion).

All the Group's debts were borrowed on a floating-rate basis. The maturity profile of the Group's debt as at 30th June 2014 was as follows:

Duration	30th June 2014 US$'000	31st December 2013 US$'000
Within one year	**446,875**	317,969
Between one and five years	**201,031**	205,827
Wholly repayable within five years	**647,906**	523,796

Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial Risk Management (Continued)

Risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board of Directors. Group Treasury identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Group has written principles approved by the Board for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

Foreign Exchange Risk

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currencies. Entities in the Group manage the amount of financial assets and liabilities denominated in foreign currencies together with the use of foreign exchange forward contracts and cross currency swaps to manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Workforce

As at 30th June 2014, TPV employed 34,986 people (31st December 2013: 32,906) 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' and Chief Executive's Interests

As at 30th June 2014, the interests of the directors and chief executive 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:

Directors' and Chief Executive's Interests (Continued)

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

Name of director/chief executive	Type of interest	Number of shares held (long position)
Dr Hsuan, Jason	Corporate (Note 1)	24,754,803

Notes:

(1) The interest of Dr Hsuan, Jason disclosed herein includes the holding of 24,754,803 shares by Bonstar International Limited, a company beneficially and wholly-owned by Dr Hsuan, Jason.

(2) The interests of directors in share options of the Company are detailed in the paragraph headed "Share Option".

Save as disclosed above and in the paragraph headed "Share Option", as at 30th June 2014, none of the directors and chief executive of the Company had or was deemed to have any interest or short position in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30th June 2014 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

As at 30th June 2014, 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 Shareholder's Interests

As at 30th June 2014, so far as was known to the directors or chief executive of the Company, the following persons (not being a director or chief executive of the Company) had an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

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

Name of shareholder	Number of shares held (long position)
CEC	822,408,647 (Notes 1, 2)
China Great Wall Computer Group Company	570,450,000 (Notes 1, 2)
Great Wall Technology Company Limited ("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)
Innolux Corporation ("Innolux")	150,500,000 (Note 3)
Chimei Corporation ("CMC")	150,500,000 (Note 3)
FMR LLC	117,500,000

Notes:

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

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

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

Share Option

At the annual general meeting held on 15th May 2003, shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme"). Since the Option Scheme expired on 14th May 2013, no further option can be granted under this scheme.

Particulars of outstanding options under the Option Scheme at the beginning and at the end of the financial period for the six months ended 30th June 2014 and options exercised and lapsed during the period were as follows:

				Number of options			
	Date of grant	**Exercise Price HK$**	**Exercisable Period**	**As at 1st January 2014**	**Exercised**	**Lapsed**	**As at 30th June 2014**
Director							
Dr Hsuan, Jason	18/01/2011	5.008 (Note 1)	18/01/2012-17/01/2021	150,000	—	—	150,000
			18/01/2013–17/01/2021	150,000	—	—	150,000
			18/01/2014–17/01/2021	150,000	—	—	150,000
			18/01/2015–17/01/2021	150,000	—	—	150,000
Employees	18/01/2011	5.008 (Note 1)	18/01/2012–17/01/2021	9,107,500	—	(715,000)	8,392,500
			18/01/2013–17/01/2021	9,107,500	—	(715,000)	8,392,500
			18/01/2014–17/01/2021	9,107,500	—	(715,000)	8,392,500
			18/01/2015–17/01/2021	9,107,500	—	(715,000)	8,392,500
				37,030,000	—	(2,860,000)	34,170,000

Note:

(1) 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.

Transaction with non-controlling interest

Details of transaction with non-controlling interest is set out in note 21 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 2014, 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.

During the six months period ended 30th June 2014, the Company has complied with all the code provisions of the Corporate Governance Code ("the CG Code") contained in Appendix 14 to the Listing Rules, except for deviations from code provisions A.2.1 and A.4.1 of the CG Code, the reasons for which are explained below.

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

Chairman and Chief Executive Officer

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

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

— Having a majority of non-executive directors and independent non-executive directors on the Board;

— Having an Audit Committee consisting solely of independent non-executive directors;

— Having a majority of independent non-executive directors on the Remuneration Committee and Nomination Committee; and

— Ensuring that independent non-executive directors have free and direct access to the Company's management, internal audit division, external auditors and independent professional advisers, whenever it is considered necessary.

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

Corporate Governance Code (Continued)

Re-election of Directors

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

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

Model Code for Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by directors of the Company (the "Internal Rules"), the terms of which no less exacting than the required standards set out in the Model Code in the Listing Rules.

Specific enquiries have been made with all the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the six months ended 30th June 2014.

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 review. It reviews the quarterly, interim and annual results before these are submitted to the Board. In reviewing the Group's financial results, the Committee focuses not only on the impact of changes in accounting policies and practices, but also on compliance with accounting standards, Listing Rules and legal requirements.

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

Audit Committee (Continued)

The Audit Committee is chaired by Mr Chan Boon Teong, and its other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. All of whom are independent non-executive directors of the Company. Mr Wong Chi Keung is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants.

Nomination Committee

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

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

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

Remuneration Committee

The Company has established the Remuneration Committee with specific written terms of reference that are in line with the relevant provisions of the CG Code. The terms of reference of the Remuneration Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

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

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 include Dr Ku Chia-Tai and Mr Wong Chi Keung, both of whom are independent non-executive directors of the Company, Dr Hsuan, Jason, the chairman and chief executive officer of the Company and Dr Li Jun, a non-executive director 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 include Ms Wu Qun, Dr Li Jun and Mr Hideki Noda, all of whom are non-executive directors of the Company and Mr Chan Boon Teong, an independent non-executive director of the Company.

Information Disclosure Committee

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

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

The Information Disclosure Committee is chaired by Dr Jason Hsuan, the chairman and chief executive officer of the Company and other members include Mr Du Heping and Mr Hideki Noda, both of them are non-executive directors of the Company, Mr Chan Boon Teong, an independent non-executive director of the Company (Mr Wong Chi Keung is an alternate member of Mr Chan Boon Teong) and Mr Shane Tyau, the vice president and chief financial officer 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 2013 Annual Report of the Company are set out below:

Mr Hideki Noda was appointed as a non-executive director and a member of each of the Investment Committee and Information Disclosure Committee of the Company with effect from 1st April 2014.

Mr Jun Nakagome resigned as a non-executive director and a member of each of the Investment Committee and Information Disclosure Committee of the Company with effect from 1st April 2014.

Mr Wong Chi Keung retired as an independent non-executive director, the chairman of audit committee, remuneration committee and nomination committee of PacMOS Technologies Holdings Limited with effect from 1st July 2014.

Review of Interim Results

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2014 have been reviewed by the Group'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 2014.

Interim Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30th June 2014 (six months ended 30th June 2013: Nil).

Communication with Shareholders and Investors

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

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

Communication with Shareholders and Investors (Continued)

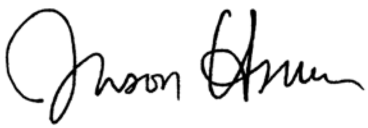
The management personnel responsible for investor relations hold regular meetings with the media, equity research analysts, fund managers and investors. The Company also holds presentations, road shows and conference calls for the international investment community from time to time.

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

Board Composition

As at the date of this report, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Liu Liehong, Ms Wu Qun, Mr Du Heping, Dr Li Jun and Mr Hideki Noda, 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, 21st August 2014

Condensed Consolidated Interim Income Statement

For the six months ended 30th June 2014

	Note	Unaudited Six months ended 30th June 2014 US$'000	 2013 US$'000
Revenue	6	**5,422,580**	5,543,941
Cost of sales		**(4,959,853)**	(5,107,676)
Gross profit		**462,727**	436,265
Other income		**30,351**	91,657
Other (losses)/gains — net		**(18,432)**	5,515
Selling and distribution expenses		**(259,456)**	(269,951)
Administrative expenses		**(99,391)**	(120,935)
Research and development expenses		**(151,109)**	(138,025)
Operating (loss)/profit	6 & 7	**(35,310)**	4,526
Finance income		**3,241**	1,885
Finance costs		**(39,004)**	(44,537)
Finance costs — net	8	**(35,763)**	(42,652)
Share of profits/(losses) of:			
Associates		**3,440**	(62)
Joint ventures		**28**	(317)
Loss before income tax		**(67,605)**	(38,505)
Income tax expense	9	**(24,447)**	(6,693)
Loss for the period		**(92,052)**	(45,198)

Condensed Consolidated Interim Income Statement (Continued)

For the six months ended 30th June 2014

	Note	Unaudited Six months ended 30th June 2014 US$'000	 2013 US$'000
Loss attributable to:			
Owners of the Company		**(44,225)**	(24,568)
Non-controlling interests		**(47,827)**	(20,630)
		(92,052)	(45,198)
Loss per share for loss attributable to owners of the Company			
— Basic	10	**(US1.89) cents**	(US1.05) cents
— Diluted		**(US1.89) cents**	(US1.05) cents
Dividends	11	**—**	—

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 2014

	Unaudited Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Loss for the period	**(92,052)**	(45,198)
Other comprehensive income/(loss), net of tax		
Items that may be reclassified to profit or loss		
Fair value gains/(losses) on available-for-sale financial assets, net of tax	**357**	(109)
Currency translation differences	**(335)**	(25,932)
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of pension obligations, net of tax	**—**	163
Other comprehensive income/(loss) for the period, net of tax	**22**	(25,878)
Total comprehensive loss for the period	**(92,030)**	(71,076)
Attributable to:		
— Owners of the Company	**(41,402)**	(47,676)
— Non-controlling interests	**(50,628)**	(23,400)
	(92,030)	(71,076)

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

Condensed Consolidated Interim Balance Sheet

As at 30th June 2014

	Note	Unaudited 30th June 2014 US$'000	Audited 31st December 2013 US$'000
Assets			
Non-current assets			
Intangible assets	12	**514,989**	531,131
Property, plant and equipment	12	**637,164**	655,102
Land use rights	12	**60,865**	63,091
Investment properties	12	**101,019**	101,019
Investments in associates		**59,295**	57,849
Investments in joint ventures		**1,364**	1,353
Derivative financial instruments		**25,722**	11,753
Available-for-sale financial assets		**4,854**	3,906
Financial assets at fair value through profit or loss	13	**22,757**	—
Deferred income tax assets		**66,915**	70,586
Prepayments and other assets	14	**128,265**	162,279
		1,623,209	1,658,069
Current assets			
Inventories		**1,541,446**	1,324,365
Trade receivables	14	**2,172,654**	2,250,740
Deposits, prepayments and other receivables	14	**574,273**	585,987
Available-for-sale financial assets		**—**	1,652
Financial assets at fair value through profit or loss	13	**3,034**	3,155
Current income tax recoverable		**11,784**	20,902
Derivative financial instruments		**42,600**	43,673
Pledged bank deposits		**4,438**	5,591
Cash and bank balances		**546,112**	364,560
		4,896,341	4,600,625
Total assets		**6,519,550**	6,258,694

Condensed Consolidated Interim Balance Sheet (Continued)

As at 30th June 2014

	Note	Unaudited 30th June 2014 US$'000	Audited 31st December 2013 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital	15	**23,456**	23,456
Other reserves		**1,571,016**	1,740,668
Dividends		**—**	3,002
		1,594,472	1,767,126
Non-controlling interests		**(8,634)**	(69,096)
Total equity		**1,585,838**	1,698,030
Liabilities			
Non-current liabilities			
Borrowings and loans	16	**201,031**	205,827
Deferred income tax liabilities		**23,144**	23,943
Pension obligations		**17,086**	16,297
Other payables and accruals	17	**142,985**	147,136
Derivative financial instruments		**24,275**	13,114
Provisions	18	**3,835**	3,632
		412,356	409,949

Condensed Consolidated Interim Balance Sheet (Continued)

As at 30th June 2014

	Note	Unaudited 30th June 2014 US$'000	Audited 31st December 2013 US$'000
Current liabilities			
Trade payables	17	**2,538,427**	2,370,521
Other payables and accruals	17	**1,291,874**	1,227,237
Current income tax liabilities		**39,572**	40,599
Provisions	18	**142,505**	125,679
Derivative financial instruments		**62,103**	68,710
Borrowings and loans	16	**446,875**	317,969
		4,521,356	4,150,715
Total liabilities		**4,933,712**	4,560,664
Total equity and liabilities		**6,519,550**	6,258,694
Net current assets		**374,985**	449,910
Total assets less current liabilities		**1,998,194**	2,107,979

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 2014

	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$'000 (Note (a))	Merger difference US$'000 (Note (b))	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves US$000 (Note (c))	Retained earnings US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 1st January 2014	23,456	759,464	68,202	12	19,507	(125,803)	90,656	10,001	–	38,004	(14,492)	898,119	(69,096)	1,698,030
Comprehensive loss														
Loss for the period	–	–	–	–	–	–	–	–	–	–	–	(44,225)	(47,827)	(92,052)
Other comprehensive income/(loss), net of tax, for the period														
Fair value gains on available-for-sale financial assets	–	–	–	–	–	–	–	–	357	–	–	–	–	357
Currency translation differences														
– Group	–	–	–	–	–	3,796	–	–	–	–	–	–	(2,801)	995
– Associates and joint ventures	–	–	–	–	–	(1,330)	–	–	–	–	–	–	–	(1,330)
Total comprehensive income for the period, net of tax	–	–	–	–	–	2,466	–	–	357	–	–	–	(2,801)	22
Total comprehensive loss for the period ended 30th June 2014	–	–	–	–	–	2,466	–	–	357	–	–	(44,225)	(50,628)	(92,030)
Total transactions with owners, recognized directly in equity														
Employee share option scheme:														
– Employee share-based compensation benefits	–	–	–	–	173	–	–	–	–	–	–	–	–	173
2013 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	(3,002)	–	(3,002)
Capital transaction with non-controlling interest (Note 21)	–	–	–	–	–	–	–	–	–	–	(128,423)	–	111,090	(17,333)
Total transactions with owners, recognized directly in equity	–	–	–	–	173	–	–	–	–	–	(128,423)	(3,002)	111,090	(20,162)
Balance as at 30th June 2014	23,456	759,464	68,202	12	19,680	(123,337)	90,656	10,001	357	38,004	(142,915)	850,892	(8,634)	1,585,838

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 2013

	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$'000 (Note (a))	Merger difference US$'000 (Note (b))	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves US$000	Retained earnings US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 1st January 2013	23,456	759,464	68,202	12	18,335	(54,531)	82,435	10,001	(1,336)	7,854	(14,492)	975,710	22,014	1,897,124
Comprehensive loss														
Loss for the period	–	–	–	–	–	–	–	–	–	–	–	(24,568)	(20,630)	(45,198)
Other comprehensive income/(loss), net of tax, for the period														
Fair value losses on available-for-sale financial assets	–	–	–	–	–	–	–	–	(109)	–	–	–	–	(109)
Remeasurements of pension obligations	–	–	–	–	–	–	–	–	–	–	–	163	–	163
Currency translation differences														
– Group	–	–	–	–	–	(23,501)	–	–	–	–	–	–	(2,770)	(26,271)
– Associates and joint ventures	–	–	–	–	–	339	–	–	–	–	–	–	–	339
Total comprehensive loss for the period, net of tax	–	–	–	–	–	(23,162)	–	–	(109)	–	–	163	(2,770)	(25,878)
Total comprehensive loss for the period ended 30th June 2013	–	–	–	–	–	(23,162)	–	–	(109)	–	–	(24,405)	(23,400)	(71,076)
Total transactions with owners, recognized directly in equity														
Employee share option scheme:														
– Employee share-based compensation benefits	–	–	–	–	700	–	–	–	–	–	–	–	–	700
2012 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	(22,753)	–	(22,753)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	–	3,639	3,639
Total transactions with owners, recognized directly in equity	–	–	–	–	700	–	–	–	–	–	–	(22,753)	3,639	(18,414)
Balance as at 30th June 2013	23,456	759,464	68,202	12	19,035	(77,693)	82,435	10,001	(1,445)	7,854	(14,492)	928,552	2,253	1,807,634

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 2014

Notes:

(a) In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, except for the TPV Technology (Suzhou) Company Limited whereas it is 30% of its registered capital, the subsidiaries will not be required to make any further appropriation. Pursuant to the relevant PRC regulations, this reserve can be used for making up losses and increase of capital.

(b) The merger difference of the Group represents the difference between the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to a corporate reorganization (the "Reorganization"), which was completed on 21st September 1999, in preparation for a listing of the Company's shares on the Exchange, over the nominal value of the share capital of the Company issued in exchange thereof.

(c) Other reserve primarily arose from the acquisition of remaining 30% equity interest in TP Vision Holding B.V. and its subsidiaries (collectively "TP Vision Group"), and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30th June 2014

	Unaudited Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Cash flows from operating activities		
Net cash generated from/(used in) operations	**62,029**	(308,103)
Interest paid	**(18,496)**	(16,884)
Income tax paid	**(13,975)**	(35,944)
Net cash generated from/(used in) operating activities	**29,558**	(360,931)
Cash flows from investing activities		
Proceeds from disposals of property, plant and equipment and land use rights	**17,466**	5,965
Purchase of property, plant and equipment	**(107,119)**	(96,204)
Purchase of land use rights	**—**	(9)
Purchase of intangible assets	**(15,205)**	(19,153)
Proceeds from disposal of available-for-sale financial assets	**5,686**	—
Purchase of available-for-sale financial assets	**(1,185)**	—
Purchase of financial assets at fair value through profit or loss	**(18,133)**	—
Investments in associates	**—**	(1,072)
Short-term bank deposits	**23,661**	—
Interest received	**3,241**	1,885
Net cash paid for acquisition of business	**—**	(2,155)
Net cash used in investing activities	**(91,588)**	(110,743)

Condensed Consolidated Interim Statement of Cash Flows (Continued)

For the six months ended 30th June 2014

	Unaudited Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Cash flows from financing activities		
Inception of long-term borrowings and loans	**160,081**	4,917
Repayment of long-term borrowings and loans	**(4,883)**	—
Net inception of short-term borrowings and loans	**42,523**	128,547
Net proceeds of payables under discounting arrangements	**160,536**	83,286
Repayment of notes payable	**(83,244)**	—
Pledged bank deposits	**1,153**	(3,100)
Dividends paid to owners and non-controlling interests	**(3,002)**	(22,753)
Contribution to subsidiaries from its non-controlling interests	**—**	3,639
Net cash generated from financing activities	**273,164**	194,536
Net increase/(decrease) in cash and cash equivalents	**211,134**	(277,138)
Cash and cash equivalents at beginning of the period	**328,899**	497,871
Exchange losses on cash and cash equivalents	**(5,921)**	(3,833)
Cash and cash equivalents at end of the period	**534,112**	216,900
Analysis of cash and bank balances:		
— Cash and cash equivalents	**534,112**	328,899
— Short-term bank deposits	**12,000**	35,661
Cash and bank balances as at 30th June 2014/31st December 2013	**546,112**	364,560

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

Notes to the Condensed Consolidated Interim Financial Information

1 General information

TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") design, manufacture and sell computer monitors and flat TV products. The Group manufactures mainly in the People's Republic of China (the "PRC"), Europe and Latin America and sells to Europe, the PRC, North and South America, 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 Exchange and secondary listing on SGX.

This condensed consolidated interim financial information is presented in US dollars, unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors on 21st August, 2014.

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 2014 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

For the period ended 30th June 2014, the Group's loss for the period amounted to US$92 million, which was primarily contributed by TP Vision — TV segment. The Group's core monitors and TV segments continued to contribute adjusted operating profit of US$113 million (Note 6) to the Group whilst TP Vision — TV segment incurred an adjusted operating loss of US$150 million (Note 6). After taking into account of the Group's budget and cash flow forecast, as well as the available banking facilities, the directors conclude there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and to meet its financial obligations as and when required. Therefore the directors consider the use of the going concern assumption in preparing the financial information for the period ended 30th June 2014 as appropriate.

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 2013, 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.

(b) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, "Consolidation for investment entities", these amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make.

Amendments to HKAS 32, "Financial instruments: Presentation on asset and liability offsetting", these amendments are to the application guidance in HKAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendment to HKAS 39, "Financial instruments: Recognition and measurement on novation of derivatives", this amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

HK(IFRIC) 21, "Levies", this is an interpretation of HKAS 37, "Provisions, contingent liabilities and contingent assets". HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The Group has adopted these standards and the adoption of these standards did not have a significant impact on the Group's results and financial position.

There are no other new 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 the Group.

3 Accounting policies (Continued)

(c) The following new standards, amendments to standards and annual improvement have been issued but are not effective for the financial year beginning 1st January 2014 and have not been early adopted by the Group:

	Effective for annual periods beginning on or after
HKFRS 9, "Financial instruments — classification and measurement of financial assets and financial liabilities"	Note
HKFRS 9, "Financial instruments (Hedge accounting, and amendments to HKFRS 9, HKFRS 7 and HKAS 39)"	Note
Amendment to HKFRS 11, "Accounting for acquisitions of interests in joint operation"	1st January 2016
HKFRS 14, "Regulatory deferral accounts"	1st January 2016
HKFRS 15, "Revenue from contracts with customers"	1st January 2017
Amendments to HKAS 16 and HKAS 38, "Classification of acceptable methods of depreciation and amortization"	1st January 2016
Amendment to HKAS 19, "Employee benefits on defined benefit plans"	1st July 2014
Annual improvement to HKFRSs — 2010–2012 cycle	1st July 2014
Annual improvement to HKFRSs — 2011–2013 cycle	1st July 2014

Note: To be announced by HKICPA

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The directors of the Company will adopt the new standards, amendments to standards and annual improvement when they become effective.

4 Estimates

The preparation of condensed consolidated 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.

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 similar to those that were applied to the consolidated financial statements for the year ended 31st December 2013, except for those that were made in accounting for the transaction with non-controlling interests and the new investment in financial assets at fair value through profit or loss which are set out in Note 21 and Note 13 respectively.

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 for the year ended 31st December 2013.

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

5 Financial risk management (Continued)

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 committed banking facilities (Note 16) so that the Group does not breach borrowing limits or covenants (where applicable) on its banking facilities.

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 date, the Group holds cash and bank balances (excluding pledged deposits) of US$546,112,000 (31st December 2013: US$364,560,000) and trade receivables of US$2,172,654,000 (31st December 2013: US$2,250,740,000) that are expected to readily generate cash inflows for managing liquidity risk. In addition, the Group holds listed equity securities for trading of US$3,034,000 (31st December 2013: US$3,155,000), which could be readily realized to provide a further source of cash if the need arose. The Group will also factor its trade receivables to banks and enter into other discounting arrangements should there be additional liquidity needs.

5 Financial risk management (Continued)

5.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measured at fair value as at 30th June 2014.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets	939	—	3,915	4,854
Financial assets at fair value through profit or loss	3,034	—	22,757	25,791
Derivatives financial instruments	—	68,322	—	68,322
	3,973	68,322	26,672	98,967
Liabilities				
Derivatives financial instruments	—	86,378	—	86,378
Other payable — contingent consideration payable	—	—	14,290	14,290
	—	86,378	14,290	100,668

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

The following table presents the Group's financial instruments that are measured at fair value as at 31st December 2013.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets	582	—	4,976	5,558
Financial assets at fair value through profit or loss	3,155	—	—	3,155
Derivatives financial instruments	—	55,426	—	55,426
	3,737	55,426	4,976	64,139
Liabilities				
Derivatives financial instruments	—	81,824	—	81,824
Other payable — contingent consideration payable	—	—	4,818	4,818
Other payable — redemption liability for written put option over shares in a subsidiary	—	—	2,065	2,065
	—	81,824	6,883	88,707

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Level 1, Level 2 and Level 3 fair value hierarchy classifications.

There were no significant changes in valuation techniques during the period, except for those that were applied in measuring the new investment in financial assets at fair value through profit or loss which was set out in Note 13.

5 Financial risk management (Continued)

5.4 Valuation techniques used to derive Level 2 fair values

Level 2 derivatives financial instruments comprise forward foreign exchange contracts, options and cross currency swaps. These forward foreign exchange contracts and options have been stated at fair value using forward exchange rates at the reporting date, with resulting value discounted back to its present value. Cross currency swaps are stated at fair value using the present value of the estimated future cash flows based on observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives financial instruments.

5.5 Fair value measurements using significant unobservable inputs (Level 3)

	Available-for-sale financial assets US$'000	Financial assets at fair value through profit or loss US$'000	Contingent consideration payable US$'000	Redemption liability for written put option over shares in a subsidiary US$'000
Six months period 30th June 2014				
Opening balance	4,976	—	(4,818)	(2,065)
Additions	1,185	22,757	—	—
Disposals	(1,652)	—	—	—
Unwinding of interests (Note 8)	—	—	(638)	(176)
Exchange differences	(594)	—	(31)	(14)
Transfer to other reserve (Note 21)	—	—	(8,803)	2,255
Closing balance	3,915	22,757	(14,290)	—

5 Financial risk management (Continued)

5.5 Fair value measurements using significant unobservable inputs (Level 3)

	Available-for-sale financial assets US$'000	Financial assets at fair value through profit or loss US$'000	Contingent consideration payable US$'000	Redemption liability for written put option over shares in a subsidiary US$'000
Six month period 30th June 2013				
Opening balance	450	—	(13,582)	(5,069)
Unwinding of interests (Note 8)	—	—	(1,247)	(1,141)
Exchange differences	(16)	—	168	136
Closing balance	(434)	—	(14,661)	(6,074)

The valuation of contingent consideration payable is based on the projected proportional earning before interests and taxes ("Proportional EBIT") forecasted by the Group's management. Definition of "Proportional EBIT" was set out in Note 21. The key assumptions adopted in projecting the future EBIT include 3-20% sales growth for the next five years, a terminal growth beyond the fifth year using an estimated growth rate not exceeding 3% and a discount rate of 21%. Other key assumptions applied in the valuation include the expected improvement in gross profit margin and reduction in costs. Management determined these key assumptions based on their experience in the industry and expectations on market development. If the future EBIT, revenue or gross margin increased with all other variables held constant, the contingent consideration would have been increased correspondingly.

The valuation of the fair value of the financial assets at fair value through profit or loss was set out in Note 13.

5 Financial risk management (Continued)

5.6 Group's valuation processes

The Group's finance department reviews the valuations of the Group's financial instruments and non-financial assets that are stated at fair value for financial reporting purposes, including Level 3 fair values. These valuation results are then reported to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

5.7 Fair value of financial assets and liabilities measured at amortized cost

The fair values of the trade and other receivables, pledged bank deposits, cash and bank balances, trade payables and other payables and accruals as at 30th June 2014 approximate their carrying amounts due to their short maturity periods.

The fair values of the borrowings and loans (including bank overdraft, bank borrowings and loans) as at 30th June 2014 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

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.

The Group is organized on a worldwide basis into four main operating segments. They are (i) Monitors; (ii) TVs; (iii) TP Vision–TVs; and (iv) Others. Others mainly comprise the sales of chassis, spare parts, complete-knocked down ("CKD"), semi-knocked down ("SKD") and all-in-one computers.

6 Segment information (Continued)

The Group's chief operating decision-maker assesses the performance of the operating segments based on adjusted operating profit/(loss). Expenses where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments where appropriate. Finance income, finance costs, share of profits/(losses) of associates and joint ventures 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, land use rights and intangible assets.

Segment assets consist primarily of intangible assets, property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables, and derivative financial assets. They exclude investment properties, investments in associates, investments in joint ventures, 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 bank balances and other unallocated assets, which are managed centrally.

Segment liabilities mainly comprise pension obligations, trade payables, other payables and accruals, derivatives financial liabilities and provisions. They exclude current income tax liabilities, deferred income tax liabilities, borrowings and loans and other unallocated liabilities which are managed centrally.

Revenue from external customers is stated after elimination of inter-segment revenue and is categorized 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.

6 Segment information (Continued)

The following tables present revenue and operating profit/(loss) information regarding the Group's reportable segments for the six months ended 30th June 2014 and 2013 respectively.

	For the six months ended 30th June 2014				
	Monitors US$'000	TVs US$'000	TP Vision — TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers — sales of goods	2,522,749	1,204,699	972,307	722,825	5,422,580
Inter-segment revenue	—	743,116	—	—	743,116
	2,522,749	1,947,815	972,307	722,825	6,165,696
Adjusted operating profit/(loss)	58,577	54,364	(149,979)	3,883	(33,155)
Depreciation of property, plant and equipment	(23,708)	(41,921)	(5,287)	(1,912)	(72,828)
Amortization of land use rights	—	—	—	(802)	(802)
Amortization of intangible assets	(2,496)	(2,342)	(16,744)	(661)	(22,243)
Restructuring costs	—	—	(28,650)	—	(28,650)
Reversal of trademark license fee payable	—	—	15,173	—	15,173
Capital expenditure	(18,746)	(31,040)	(14,205)	(1,023)	(65,014)

6 Segment information (Continued)

	For the six months ended 30th June 2013				
	Monitors US$'000	TVs US$'000	TP Vision — TVs US$'000	Others US$'000	Total US$'000
Revenue from external customers — sales of goods	2,604,189	854,153	1,397,205	688,394	5,543,941
Inter-segment revenue	—	717,703	—	—	717,703
	2,604,189	1,571,856	1,397,205	688,394	6,261,644
Adjusted operating profit/(loss)	52,076	2,154	(35,450)	3,035	21,815
Depreciation of property, plant and equipment	(22,477)	(37,468)	(13,268)	(1,228)	(74,441)
Amortization of land use rights	—	—	—	(928)	(928)
Amortization of intangible assets	(2,354)	(4,784)	(24,942)	(814)	(32,894)
Restructuring costs	—	(5,273)	(11,943)	—	(17,216)
Reversal of trademark license fee payable	—	—	—	—	—
Capital expenditure	(19,269)	(38,178)	(34,234)	(5,329)	(97,010)

6 Segment information (Continued)

The following tables present segment assets and liabilities as at 30th June 2014 and 31st December 2013 respectively.

	As at 30th June 2014				
	Monitors	**TVs**	**TP Vision — TVs**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Segment assets	**2,333,478**	**1,831,936**	**1,008,796**	**494,277**	**5,668,487**
Segment liabilities	**(1,391,856)**	**(1,461,491)**	**(558,257)**	**(370,862)**	**(3,782,466)**

	As at 31st December 2013				
	Monitors	TVs	TP Vision — TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Segment assets	2,593,380	1,422,574	1,102,544	481,220	5,599,718
Segment liabilities	(1,478,327)	(1,233,336)	(601,310)	(381,086)	(3,694,059)

6 Segment information (Continued)

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

	Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Adjusted operating (loss)/profit for reportable segments	**(33,155)**	21,815
Unallocated income	**11,303**	9,310
Unallocated expenses	**(13,458)**	(26,599)
Operating (loss)/profit	**(35,310)**	4,526
Finance income	**3,241**	1,885
Finance costs	**(39,004)**	(44,537)
Share of profits/(losses) of associates	**3,440**	(62)
Share of profits/(losses) of joint ventures	**28**	(317)
Loss before income tax	**(67,605)**	(38,505)

6 Segment information (Continued)

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

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Segment assets	**5,668,487**	5,599,718
Investment properties	**101,019**	101,019
Investments in associates	**59,295**	57,849
Investments in joint ventures	**1,364**	1,353
Available-for-sale financial assets	**4,854**	5,558
Deferred income tax assets	**66,915**	70,586
Financial assets at fair value through profit or loss	**25,791**	3,155
Current income tax recoverable	**11,784**	20,902
Pledged bank deposits	**4,438**	5,591
Cash and bank balances	**546,112**	364,560
Other unallocated assets	**29,491**	28,403
Total assets	**6,519,550**	6,258,694

6 Segment information (Continued)

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

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Segment liabilities	**3,782,466**	3,694,059
Current income tax liabilities	**39,572**	40,599
Deferred income tax liabilities	**23,144**	23,943
Borrowings and loans	**647,906**	523,796
Other unallocated liabilities	**440,624**	278,267
Total liabilities	**4,933,712**	4,560,664

6 Segment information (Continued)

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

	Six months ended 30th June	
	2014	2013
	US$'000	US$'000
The PRC	**1,890,511**	1,622,275
Europe	**1,262,865**	1,581,833
North America	**981,790**	894,111
South America	**520,215**	647,681
Australia	**44,399**	33,024
Africa	**9,237**	9,911
Rest of the world	**713,563**	755,106
	5,422,580	5,543,941

As at 30th June 2014, the total of non-current assets other than financial instruments and deferred income tax assets located in the PRC is US$531,051,000 (at 31st December 2013: US$558,182,000), and the total of these non-current assets located in other countries is US$852,843,000 (at 31st December 2013: US$851,363,000).

For the six months ended 30th June 2014, revenues of approximately US$580,716,000 (for the six months ended 30th June 2013: US$637,066,000) are derived from a single external customer. These revenues are attributable to the sales of monitors and others. This customer is also the largest debtor at the reporting date.

7 Operating (loss)/profit

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

	Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Net exchange losses	**(7,046)**	(41,379)
Realized and unrealized (losses)/gains on foreign exchange forward contracts and options — net	**(35,490)**	42,868
Realized and unrealized gains on cross currency swaps — net	**4,912**	5,157
Fair value gains/(losses) on financial assets at fair value through profit or loss	**2**	(1,013)
Gain on disposal of available-for-sale financial assets	**4,034**	—
Provision for impairment of trade receivables	**(3,339)**	(1,966)
Reversal/(write-down) of inventories to net realizable value	**15,651**	(8,984)
Employee benefit expenses (including directors' emoluments)	**(300,554)**	(340,258)
Depreciation of property, plant and equipment (Note 12)	**(72,828)**	(74,441)
Amortization of land use rights (Note 12)	**(802)**	(928)
Amortization of intangible assets (Note 12)	**(22,243)**	(32,894)
Loss on disposal of property, plant and equipment	**(17)**	(118)
Impairment losses on property, plant and equipment (Note 12)	**(751)**	(6,490)
Charge for warranty provision (Note 18)	**(96,146)**	(73,268)
Charge for restructuring provision (Note 18)	**(28,650)**	(17,216)
Acquisition-related costs	**—**	(13)
Brand promotion fee (Note)	**7,886**	70,428
Reversal of trademark license fee payable	**15,173**	—

Note:

TP Vision Group is entitled to charge Koninklijke Philips N.V. ("Philips") a brand promotion fee for activities that promote or enhance the Philips brand. Such activities include advertising and promotion, sales and marketing, research and development and other activities that incentivize the distribution channels and reduce the cost of non-quality.

8 Finance costs — net

	Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Cash interests		
— Interest expense on bank borrowings and factoring/discounting arrangement	**(13,387)**	(11,446)
— Interest expense on loans	**(4,261)**	(3,471)
— Interest expense on notes payable	**(848)**	(1,967)
Non-cash interests		
— Unwinding of interest on license fee payable	**(17,718)**	(23,245)
— Unwinding of interest on loans	**(1,976)**	(2,020)
— Unwinding of interest on contingent consideration payable	**(638)**	(1,247)
— Unwinding of interest on redemption liability	**(176)**	(1,141)
Interest expenses	**(39,004)**	(44,537)
Interest income on short-term bank deposits	**3,241**	1,885
Finance costs — net	**(35,763)**	(42,652)

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 2014 (six months ended 30th June 2013: Nil).

Taxation on profits has been calculated on the estimated assessable (losses)/profits for the six months ended 30th June 2014 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Current income tax — overseas taxation	**(22,008)**	(18,752)
Deferred income tax (charge)/credit	**(2,439)**	12,059
Income tax expense	**(24,447)**	(6,693)

10 Loss per share

(a) Basic

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

	Six months ended 30th June	
	2014	2013
Loss attributable to owners of the Company (US$'000)	**(44,225)**	(24,568)
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,636
Basic loss per share (US cents per share)	**(1.89)**	(1.05)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Its calculation is made 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 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	
	2014	2013
Diluted loss per share (US cents per share)	**(1.89)**	(1.05)

Diluted loss per share for the six months ended 30th June 2014 and 2013 equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

11 Dividends

The board of directors does not recommend the payment of interim dividend for the six months ended 30th June 2014. (Six months ended 30th June 2013: Nil)

12 Property, plant and equipment, land use rights, investment properties and intangible assets

	Property, plant and equipment US$'000	Land use rights US$'000	Investment properties US$'000	Intangible assets US$'000
Six months ended 30th June 2014				
Opening net book amount at 1st January 2014	**655,102**	**63,091**	**101,019**	**531,131**
Exchange differences	**(908)**	**(1,424)**	**—**	**(921)**
Additions	**57,996**	**—**	**—**	**7,018**
Reclassification	**(4)**	**—**	**—**	**4**
Disposals	**(1,443)**	**—**	**—**	**—**
Impairment	**(751)**	**—**	**—**	**—**
Depreciation/amortization	**(72,828)**	**(802)**	**—**	**(22,243)**
Closing net book amount at 30th June 2014	**637,164**	**60,865**	**101,019**	**514,989**
Six months ended 30th June 2013				
Opening net book amount at 1st January 2013	681,569	74,002	38,178	604,089
Exchange differences	(7,858)	670	—	(2,123)
Additions	73,222	9	—	23,779
Additions through business combination	2,063	—	—	2,056
Disposals	(6,083)	—	—	—
Impairment	(6,490)	—	—	—
Depreciation/amortization	(74,441)	(928)	—	(32,894)
Closing net book amount at 30th June 2013	661,982	73,753	38,178	594,907

12 Property, plant and equipment, land use rights, investment properties and intangible assets (Continued)

Fair value measurements at 30th June 2014 and 31st December 2013

	Significant unobservable inputs (Level 3)
Investment properties	
— Industrial building — the PRC	91,029
— Industrial building — Poland	9,990
	101,019

The valuation of investment properties was determined using the sale comparison approach. Recent sale prices of comparable properties in physical close proximity near reporting date are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Management performs the valuation of investment properties, semi-annually. These valuation results are then reported to the board of directors for discussions and review in relation to the valuation processes and the reasonableness of the valuation results.

13 Financial assets at fair value through profit or loss

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Listed securities:		
— Equity securities — Taiwan	**3,034**	3,038
— Equity securities — Other	**—**	117
Unlisted securities:		
— Equity securities — The PRC (Note)	**22,757**	—
	25,791	3,155

Note :

In January 2014, Top Victory Investments Limited ("TVI"), a wholly owned subsidiary of the Group, entered into a Supplemental Joint Venture Agreement and a Supplemental Investment Agreement dated 20th January 2014 (collectively, "JV Agreement") with CEC and its subsidiaries and three other independent third parties to establish a joint venture company in Nanjing, the PRC ("Nanjing JV"), which engages in research and development, manufacturing and selling of color filters and LCD modules (the "Products").

Under the JV Agreement, the registered capital of Nanjing JV is RMB17,500,000,000 (approximately US$2,800,000,000). TVI owns 0.8% equity interests and contributes RMB140,000,000 (approximately US$22,757,000) in proportion to its equity interest.

Pursuant to the JV Agreement, TVI may exercise an option (the "Put Option") to require two other shareholders of Nanjing JV to acquire the 0.8% equity interests in Nanjing JV at a price equivalent to the original registered capital contributed by TVI (i.e. RMB140,000,000, approximately US$22,757,000) plus an interest of 4% per annum. TVI has a right to exercise the Put Option within three years from (i) the fourth anniversary of the registration date of Nanjing JV; and (ii) the date on which Nanjing JV issues its first invoice in relation to the Products, whichever is earlier.

13 Financial assets at fair value through profit or loss (Continued)

Note : (Continued)

The investment is classified as an non-current financial assets at fair value through profit or loss with the Put Option exercisable over a year from the reporting date.

This investment together with the Put Option is required under HKFRSs to be stated at fair value. The valuation is based on the expected future returns realisable from this investment as forecasted by the Group's management taking into consideration the discounting effect as well as the Group's right to exercise the Put Option. The directors consider the carrying value of this instrument (including the option) approximates its fair value, considering the ability to sell back the instrument to other shareholders.

14 Trade and other receivables, deposits, prepayments and other assets

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Non-current		
Other assets (Note a)	**74,686**	69,255
Prepayments	**9,198**	—
Other receivables (Note b)	**44,381**	93,024
	128,265	162,279
Current		
Trade receivables	**2,207,106**	2,282,535
Less: provision for impairment of trade receivables	**(34,452)**	(31,795)
Trade receivables, net	**2,172,654**	2,250,740
Deposits	**8,047**	6,093
Prepayments	**54,294**	41,480
Other receivables		
— Value-added tax recoverable	**239,750**	258,017
— Others (Note b)	**272,182**	280,397
	2,746,927	2,836,727
Total	**2,875,192**	2,999,006

14 Trade and other receivables, deposits, prepayments and other assets (Continued)

Notes:

(a) At 30th June 2014, the non-current other assets of US$74,686,000 (31st December 2013: US$69,255,000) relate to cash placed in an escrow account for certain customer care obligations arising in the TP Vision Group as set out in the Trademark License Agreement between TP Vision Group and Philips. The receivables is classified as non-current as it falls due in more than one year.

(b) At 30th June 2014, included in other receivables was an amount of US$68,474,000 (31st December 2013: US$86,986,000) due from Fuqing Municipal People's Government relating to the disposal of certain properties and land use rights in the PRC.

The Group's sales are on credit terms from 30 to 180 days and certain of its export sales are with letters of credit or documents against payment.

The ageing analysis of gross trade receivables based on invoice date were as follows:

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
0–30 days	**1,028,945**	996,698
31–60 days	**672,141**	767,035
61–90 days	**287,830**	308,604
91–120 days	**61,663**	71,310
Over 120 days	**156,527**	138,888
	2,207,106	2,282,535

15 Share capital

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Authorized:		
4,000,000,000 (2013: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2013: 2,345,636,139) ordinary shares of US$0.01 each	**23,456**	23,456

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

		Number of share options (thousands)				
Expiry date	**Exercise price in HK$ per share option**	**As at 1st January 2014**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**As at 30th June 2014**
17th January 2021	HK$5.008	37,030	–	–	(2,860)	34,170

For the six months ended 30th June 2014, 2,860,000 share options (six months ended 30th June 2013: 800,000) were lapsed as a result of the cessation of employment of certain employees.

16 Borrowings and loans

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Non-current		
Loans (Note (a))	**122,527**	195,905
Bank borrowings	**78,504**	9,922
	201,031	205,827
Current		
Notes payable	**—**	82,505
Loans (Note (a))	**164,586**	—
Bank overdraft	**8,021**	23,414
Bank borrowings	**274,268**	212,050
	446,875	317,969
Total borrowings and loans	**647,906**	523,796

16 Borrowings and loans (Continued)

Movements in borrowings and loans are analyzed as follows:

	Six months ended 30th June	
	2014	2013
	US$'000	US$'000
As at 1st January	**523,796**	422,352
Inception of long-term borrowings and loans	**160,081**	4,917
De-recognition of benefit on shareholder's loan payable to an ex-shareholder of TP Vision Group (Note 21)	**9,874**	—
Unwinding interest on loans	**1,976**	2,020
Net inception of short-term borrowings and loans	**42,523**	128,547
Repayment of long-term borrowings and loans	**(4,883)**	—
Repayment of notes payable	**(83,244)**	—
Exchange gain	**(2,217)**	—
As at 30th June	**647,906**	557,836

Notes:

(a) Loans represent shareholder's loans provided by an ex-shareholder of TP Vision Group, including a term loan ("Term Loan") to the Group and a shareholder loan ("Shareholder Loan") to TP Vision Holding B.V. pursuant to the Term Loan Agreement and the Shareholders' Loan Agreement both dated 1st April 2012. Both the Term Loan and Shareholder Loan bears interest at EURO LIBOR plus margin ranged from 1.8% to 3.8% per annum and are unsecured. Term Loan matures in three years from the date of Term Loan Agreement while EUR21,000,000 and EUR30,000,000 shareholder loan matures in three and five years from the date of Shareholders' Loan Agreement.

As part of the acquisition of remaining 30% equity interests of TP Vision Group, the ex-shareholder of TP Vision Group has transferred to AOC Holdings Limited ("AOC"), a wholly-owned subsidiary of the Group, its rights and obligation as a lender under all outstanding loans and stand-by facilities between the ex-shareholder of TP Vision Group and TP Vision Group. To preserve the original funding arrangement, the ex-shareholder of TP Vision Group, AOC and TPV concurrently entered into new loan agreements, whereby the ex-shareholder of TP Vision Group made available to AOC loans and stand-by facilities of the same terms. TPV agreed to irrevocably and unconditionally guarantee to the ex-shareholder of TP Vision Group the punctual performance by AOC of its obligations under the new loan agreements.

The fair value of the loans from the ex-shareholder of TP Vision Group approximate their carrying amount as they bear interest at market rates.

16 Borrowings and loans (Continued)

The Group has the following available and undrawn bank loan and trade finance facilities:

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Total available and undrawn facilities	**3,153,929**	2,956,041

17 Trade payables, other payables and accruals

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Non-current		
License fee payable	**125,671**	131,964
Contingent consideration payable	**14,290**	4,818
Redemption liability for written put option over shares in a subsidiary	**—**	2,065
Accrued employee benefits	**1,476**	2,844
Others	**1,548**	5,445
	142,985	147,136

17 Trade payables, other payables and accruals (Continued)

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Current		
Trade payables	**2,538,427**	2,370,521
Other payables and accruals		
— Accrued employee benefits	**125,121**	116,041
— Accrued operating expenses	**149,511**	165,216
— Deferred brand promotion fee income	**60,174**	—
— Duty and tax payable other than income tax	**77,690**	100,980
— License fee payable	**55,275**	86,580
— Payables under discounting arrangement	**438,803**	278,267
— Payables for purchase of property, plant and equipment	**92,858**	141,982
— Others	**292,442**	338,171
	3,830,301	3,597,758
Total	**3,973,286**	3,744,894

17 Trade payables, other payables and accruals (Continued)

The ageing analysis of trade payables based on invoice date were as follows:

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
0–30 days	**1,035,368**	905,709
31–60 days	**835,519**	725,006
61–90 days	**366,855**	361,309
Over 90 days	**300,685**	378,497
	2,538,427	2,370,521

18 Warranty and restructuring provisions

	Six months ended 30th June					
	2014			2013		
	Warranty provision US$'000	Restructuring and other provisions US$'000	Total US$'000	Warranty provision US$'000	Restructuring and other provisions US$'000	Total US$'000
As at 1st January	**99,050**	**30,261**	**129,311**	94,464	40,468	134,932
Exchange difference	**(211)**	**(365)**	**(576)**	(273)	(427)	(700)
Charged to the income statement (Note 7)	**96,146**	**28,942**	**125,088**	73,268	17,216	90,484
Utilized during the period	**(79,557)**	**(27,926)**	**(107,483)**	(73,221)	(21,098)	(94,319)
As at 30th June	**115,428**	**30,912**	**146,340**	94,238	36,159	130,397

18 Warranty and restructuring provisions (Continued)

Analysis of warranty and other provisions:

	As at 30th June 2014			As at 31st December 2013		
	Warranty provision US$'000	Restructuring and other provisions US$'000	Total US$'000	Warranty provision US$'000	Restructuring and other provisions US$'000	Total US$'000
Non-current liabilities	–	3,835	3,835	–	3,632	3,632
Current liabilities	115,428	27,077	142,505	99,050	26,629	125,679
Total	115,428	30,912	146,340	99,050	30,261	129,311

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within an average period ranging from twelve months to thirty-six months. The provisions as at 30th June 2014 and 31st December 2013 had been made for expected warranty claims on products sold for which it is expected that the majority of this provision will be utilized in the next twelve months.

On the 30th of June 2014, the restructuring provision primarily refers to the business model optimization plan whereby some of the European subsidiaries are restructured to become branches under a single billing entity and the strategic decision to merge two locations into one during 2014 and 2013. These restructuring programs were decided and announced before the respective period end/year-end date. It is expected that the majority of these provisions will be utilized in the next twelve months.

19 Contingent liabilities

The Group has a number of legal and other proceedings at 30th June 2014.

(a) 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 I").

On 17th June 2014, the complaint was dismissed by the German Supreme Court on its final judgement.

(b) 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 possible to determine 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, 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 II").

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

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

On 19th September 2013, a final judgment was entered by the district court judge. While this case is currently on the appellate proceedings, the directors consider that it is not possible to determine the outcome of the case for the time being.

19 Contingent liabilities (Continued)

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

On 25th June 2014, the complaint was dismissed according to the Order by the district court judge. Notwithstanding, while certain proceedings are still ongoing, the directors consider that it is not possible to determine the outcome of the case for the time being.

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

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

(f) In 2012 and 2013, in one specific country, the compensation payments to customers have been accrued and/or paid by the Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the Tax Authorities in that country following the submission of the relevant tax returns in 2013 and 2014. The directors do not consider any liability arising being probable.

19 Contingent liabilities (Continued)

(g) In January 2013, a third party company filed an amended complaint to consolidate two underlying related complaints in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain computer monitors and televisions ("Patent IV").

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

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

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

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

(h) In 2013, litigation continued with a third party company that filed patent infringement cases in Germany, alleging that the Group infringes patents relating to the protection of certain aspects of SmartTV and Net TV.

On 21st June 2014, the case was resolved through settlement among the parties. The directors consider that the settlement does not have any material financial impact on the Group as a whole.

(i) In 2013, the Civil Code of one specific country requires that all companies producing or importing goods with an audio/video replication functionality must pay 1% of turnover (either import or production value) fees to copyrights owners (unnamed list of authors) through the local union of copyright owners.

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

19 Contingent liabilities (Continued)

(j) In May 2014, a third party company filed a complaint in the United States of America against the Group and many other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain digital televisions ("Patent V").

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

(k) In June 2014, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party company against the Group and many other third party companies. The investigation concerns alleged infringement of Patent V in respect of technology of the manufacture of certain digital televisions.

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

(l) In June 2014, the U.S. International Trade Commission instituted an investigation based on an amended complaint filed by a third party company against the Group and many other third party companies. The investigation concerns the alleged infringement of certain patents in respect of tuner technology by certain digital televisions ("Patent VI").

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

(m) In June 2014, a third party company filed a complaint in the United States of America against the Group. The complaint concerns a dispute that arises as a result of a patent license agreement regarding digital televisions sold in the European countries.

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

20 Commitments

(a) Capital commitments

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

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Property, plant and equipment	**71,218**	50,589
Investments	**9,000**	36,532
	80,218	87,121

(b) Operating lease commitments — Group as lessee

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

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Not later than one year	**23,260**	23,532
Later than one year and not later than five years	**51,572**	54,080
Later than five years	**23,409**	24,634
	98,241	102,246

20 Commitments (Continued)

(c) Operating lease commitments — Group as lessor

The Group leases various offices and warehouses under non-cancellable operating lease arrangements. The lease terms are between 1 and 17 years, and the majority of lease arrangements are renewable at the end of the lease period.

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

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Not later than one year	**2,881**	2,437
Later than one year and not later than five years	**8,216**	5,558
Later than five years	**14,747**	15,639
	25,844	23,634

21 Transaction with non-controlling interest

Acquisition of remaining 30% equity interest in TP Vision Group for the period ended 30th June 2014

On 1st April 2012, the Group completed the acquisition of a 70% equity interest in TP Vision Group, which engaged in the development, design, production and sales of television sets mainly in Europe and South America, from Philips pursuant to the Sale and Purchase Agreement dated 1st November 2011. Philips retained the remaining 30% equity interest in TP Vision Group, and had the right to sell or transfer, partly or all, of this remaining 30% equity interest in TP Vision Group to the Group pursuant to the Shareholders' Agreement dated 1st April 2012.

21 Transaction with non-controlling interest (Continued)

Acquisition of remaining 30% equity interest in TP Vision Group for the period ended 30th June 2014 (Continued)

On 30th May 2014, the Group completed the acquisition of the remaining 30% equity interest in TP Vision Group from Philips pursuant to Sale and Purchase Agreement ("SPA") dated 25th March 2014. As a result of this, TP Vision Group become an indirectly wholly-owned subsidiary of the Company, in which the Company owns and controls 100% of Philips' TV business (worldwide with the exception of PRC, India, the United States of America, Canada, Mexico and South America (however including Brazil and Argentina)) through TP Vision Group. TP Vision Group continues to be accounted for as a subsidiary of the Group and its financial results continues to be consolidated into and referred in the consolidated financial statements of the Group. The transaction is accounted for as transaction with non-controlling interest. Accordingly, the difference between the fair value of consideration paid and the carrying value of the non-controlling interest for the remaining 30% equity interest is recorded in equity.

The following table summarises the effects on the equity attributable to owners of the Company arising from the acquisition of the remaining 30% equity interest in TP Vision Group:

	US$'000
Change in contingent consideration payable as a result of the acquisition of the remaining 30% equity interest in TP Vision Group	8,803
De-recognition of negative carrying value of non-controlling interest balance as of 30th May 2014	111,090
Extinguishment of redemption liability for written put option over shares in TP Vision Group	(2,255)
De-recognition of benefit on shareholder's loan payable to an ex-shareholder of TP Vision Group	9,874
Transaction costs	911
Net effect charged against equity attributable to owners of the Company	128,423

21 Transaction with non-controlling interest (Continued)

Acquisition of remaining 30% equity interest in TP Vision Group for the period ended 30th June 2014 (Continued)

(a) Contingent consideration

Pursuant to the SPA, the contingent consideration for the remaining 30% equity interest in TP Vision Group is combined with the contingent consideration for the 70% equity interest in TP Vision Group that was acquired by the Group on 1st April 2012. Collectively, this combined contingent consideration for the 100% equity interest in TP Vision Group was determined based on a formula of Average Proportional EBIT times a multiple of four, where Average Proportional EBIT equals to the amount derived from the following:

(i) 50% of the annual consolidated adjusted EBIT of TP Vision Group for financial years 2012 and 2013, each as reported in the audited consolidated annual accounts of TP Vision Group for these financial years and as adjusted in accordance with the terms as stipulated in the SPA.

plus

(ii) the total Proportional EBIT (Note a) for the period from (and including) the financial year 2014 to (and including) the year in which Philips exercises its right to receive the New Deferred Purchase Price (the "Last year").

and the total amount of (i) plus (ii) to be divided by the number of years as of financial year ended 2012 to (and including) the Last year.

If the above calculation results in a negative number, then the contingent consideration is deemed to be zero.

As at 30th June 2014, the present value of the contingent consideration, amounting to US$14,290,000, is included in the non-current "other payables and accruals". (Note 17)

21 Transaction with non-controlling interest (Continued)

Acquisition of remaining 30% equity interest in TP Vision Group for the period ended 30th June 2014 (Continued)

(a) Contingent consideration (Continued)

The Group has recognized 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 TP Vision Group and the Group. Judgement is applied to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimate of post-acquisition performance of TP Vision Group and the Group. 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 recognized in the income statement.

Note a:

Proportional EBIT equals the total amount of:

(i) (the total revenue of Philips-branded TVs manufactured and sold by the Group under the Trademark License Agreements ("TMLAs") divided by the total revenue of TVs manufactured and sold by the Group) multiply by (the adjusted operating profit or loss for the TVs segments), each as reported in the audited consolidated annual financial statement of the Group,

plus

(ii) (the total revenue of Philips-branded TVs manufactured and sold by the Group under the TMLAs divided by the total consolidated revenue of the Group) multiply by (the unallocated income plus unallocated expenses), each as reported in the audited consolidated annual financial statements of the Group.

21 Transaction with non-controlling interest (Continued)

Acquisition of remaining 30% equity interest in TP Vision Group for the period ended 30th June 2014 (Continued)

(b) Redemption liability for written put option over shares in TP Vision Group

At the time when the Group acquired the 70% equity interest in TP Vision Group on 1st April 2012, the Group granted Philips the right to sell and transfer all of its remaining 30% of its equity interest in TP Vision Group to the Group. This option was exercisable after 6 years of the completion of the 70% transaction, and was initially recorded as a non-current liability. As a result of acquisition of remaining 30% equity interest, the Philips Put Option is extinguished and is included as part of the amount recognized in equity arising from transaction with the non-controlling interest.

(c) Trademark License Agreement

On 25th March 2014, Philips and TP Vision Group entered into the Supplemental TMLA to amend certain terms of the TMLA on 1st April 2012, pursuant to which the parties agree that the guaranteed minimum annual royalty to be reduced from EUR50 million (equivalent to approximately US$67.9 million) to EUR40 million (equivalent to approximately US$54.3 million) starting from 1st April 2014. The license fee payable is included in the "other payables and accruals" (Note 17).

22 Related party transactions

As at 30th June 2014, the major shareholders of the Company are CEC, Mitsui and Innolux, 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.

22 Related party transactions (Continued)

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

(a) Significant transactions with related parties

During the six months ended 30th June 2014 and 2013, the Group had the following significant transactions with its associates, joint ventures and its substantial shareholders, CEC, Mitsui and Innolux.

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

	Six months ended 30th June	
	2014	2013
	US$'000	US$'000
Sales of goods to associates	**164,045**	172,784
Sales of goods to CEC and its subsidiaries	**1,465**	—
Sales of goods to Innolux and its subsidiaries	**73**	41
Purchases of goods and services from associates (Note (i))	**(99,887)**	(39,235)
Purchase of goods from CEC and its subsidiaries	**(61,237)**	(70,922)
Purchases of goods from Innolux and its subsidiaries	**(485,286)**	(458,033)
Rental income from associates	**1,085**	1,398
Rental income from a joint venture	**—**	51
Royalty paid to CEC and its subsidiaries	**(140)**	(54)
Capital investment with CEC and its subsidiaries (Note (ii))	**22,757**	—

22 Related party transactions (Continued)

(a) Significant transactions with related parties (Continued)

Notes:

(i) Amount included the sub-contracting fee paid to Chi Lin Optoelectronics Co., Ltd and its subsidiaries (collectively, “Chi Lin”), an associate of the Group, for sub-contracting services provided. During the period, the Group entered into the sub-contracting arrangement with Chi Lin, under which spare parts amounted to US$139,822,000 (2013: Nil) were transferred to Chi Lin for further processing and finished goods amounted to US$201,989,000 (2013: Nil) were purchased back from Chi Lin.

(ii) The amount represented the capital investment in Nanjing JV amounting to RMB140,000,000 as set out in Note 13.

(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	
	2014	2013
	US$'000	US$'000
Salaries and other short-term employee benefits	**1,148**	659
Share-based payments	**60**	77
	1,208	736

22 Related party transactions (Continued)

(c) Period/year-end balances

	As at 30th June 2014 US$'000	As at 31st December 2013 US$'000
Receivables from associates (Note (i))	**148,915**	171,281
Receivables from substantial shareholders and their subsidiaries (Note (i))		
— Innolux and its subsidiaries	**20**	36
— CEC and its subsidiaries	**2**	5,474
	22	5,510
Payables to associates (Note (ii))	**134,909**	88,599
Payables to substantial shareholders and their subsidiaries (Note (ii))		
— Mitsui and its subsidiaries	**33**	33
— CEC and its subsidiaries	**22,537**	15,565
— Innolux and its subsidiaries	**182,809**	92,654
	205,379	108,252

22 Related party transactions (Continued)

(c) Period/year-end balances (Continued)

Notes:

(i) Receivables from associates and substantial shareholders were mainly presented in the condensed consolidated interim balance sheet within "trade receivables" and "deposits, prepayments and other receivables".

(ii) Payables to associates and substantial shareholders were mainly presented in the condensed consolidated interim balance sheet within "trade payables" and "other payables and accruals".

23 Seasonality of operations

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

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