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

Corporate Information

Directors

Executive Director
Dr Hsuan, Jason
(Chairman and Chief Executive Officer)

Non-executive Directors
Mr Liu Liehong
Ms Wu Qun
Dr Li Jun
Ms Bi Xianghui
Mr Hideki Noda

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

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

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

Legal Advisors
Appleby
Kirkland & Ellis International LLP

Principal Bankers
Agricultural Bank of China Limited
Australia and New Zealand Banking Group Limited
Bank of America, N.A.
Bank of China Limited
Bank SinoPac
China Construction Bank Corporation
CTBC Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Independent Auditor
PricewaterhouseCoopers
Certified Public Accountants

Company Secretary
Ms Lee Wa Ying

Principal Share Registrar
Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

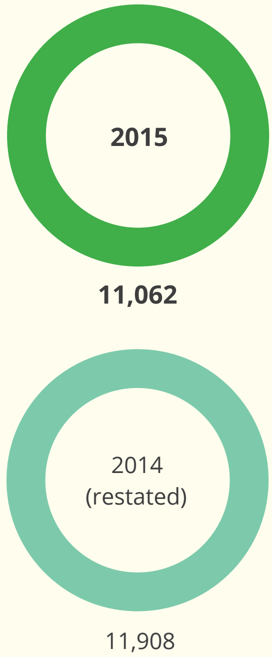
Singapore Share Transfer Office
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Company Website
www.tpv-tech.com

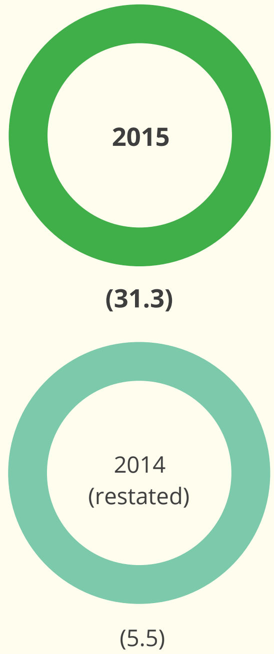
Contents

Financial Highlights

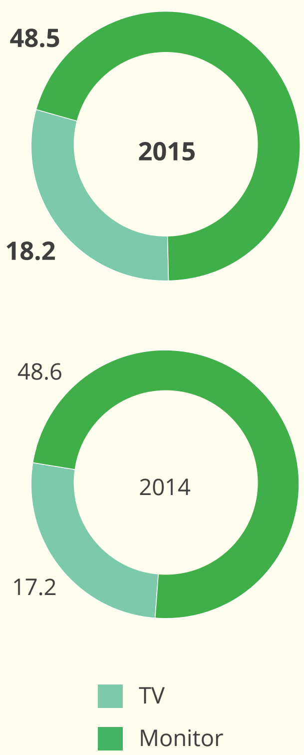
CONSOLIDATED REVENUE
(US$ MILLION)



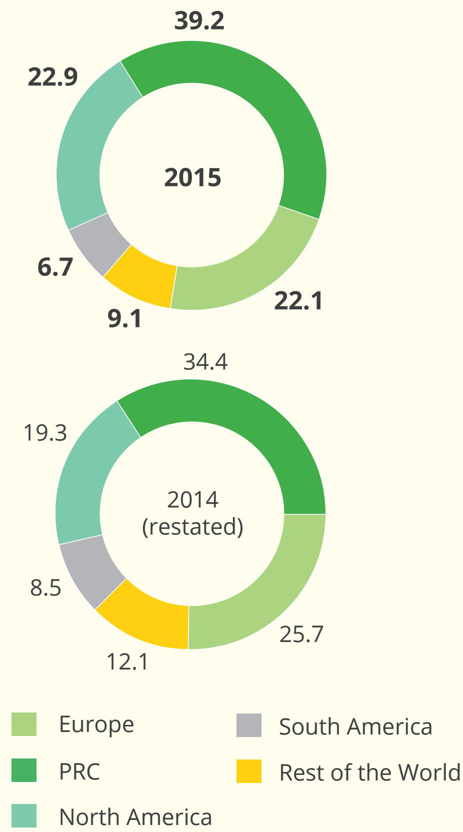
LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY
(US$ MILLION)



SHIPMENT BY PRODUCT SEGMENT
(MILLION UNITS)



REVENUE BY GEOGRAPHIC REGIONS
(%)



	2015	2014 (Restated)	2013 (Note)	2012 (Note)	2011 (Note)
OPERATING RESULTS (US$'000)					
Consolidated revenue	**11,061,525**	11,908,077	11,972,698	11,974,836	11,040,124
(Loss)/Profit attributable to owners of the Company	**(31,337)**	(5,460)	(47,246)	112,408	120,398
Basic (loss)/earnings per share (US cents)	**(1.34)**	(0.23)	(2.01)	4.79	5.13
Dividends per share (US cents)	**0.128**	0.128	0.128	1.430	1.540
FINANCIAL POSITION (US$'000)					
Total assets	**5,931,579**	6,453,138	6,258,694	6,448,500	5,256,703
Cash and bank balances	**453,625**	506,213	364,560	497,871	303,337
Total borrowings and loans	**587,046**	488,520	523,796	422,352	440,163
Equity attributable to owners of the Company	**1,623,577**	1,672,581	1,767,126	1,874,899	1,829,312
KEY FINANCIAL RATIOS					
Inventory turnover (days)	**48.9**	47.1	45.7	40.6	40.7
Trade receivables turnover (days)	**70.2**	68.2	69.7	71.9	75.9
Trade payables turnover (days)	**84.8**	82.6	77.9	72.6	75.1
Return on equity (%)	**n/a**	n/a	n/a	6.0	6.7
Return on assets (%)	**n/a**	n/a	n/a	1.9	2.3
Current ratio (%)	**117.7**	109.2	110.8	121.6	126.4
Gearing ratio* (%)	**16.0**	15.6	12.8	12.2	14.5
Interest coverage (times)	**1.1**	0.8	0.1	2.8	11.9
Dividend payout ratio (%)	**n/a**	n/a	n/a	29.8	30.0

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

Note: The comparative amounts for the years ended 31st December 2013, 2012 and 2011 in the financial highlights have not been restated using merger accounting for common control business combinations as the information is not readily available and the cost to develop it would be excessive.

Chairman's Statement

DEAR SHAREHOLDERS,

After two diligent years of multiple restructuring and transformation programs, I am pleased to announce that in 2015, our efforts began to bear fruit. The consolidation of the two manufacturing plants in Manaus, Brazil, into one, the setting up of a single-billing entity for the European sales operations, and the integration of back office functions at shared services centers in Gorzow, Poland, Prague, Czech Republic, St Petersburg, Russia and Sao Paulo, Brazil, have helped to bring down the cost of operations by more than 10 percent (in local currency terms) year on year, not to mention the tangible and intangible benefits of the formation of a single European innovation center in Ghent, Belgium, and the merging of the two legal entities in Russia.

Although our financial performance last year was lower than expected due to the global economic slowdown and volatile, unpredictable currency markets, I am delighted that, in fact, we strengthened our business and operations. In particular, the TV business teams managed to weather the difficult market conditions and achieve growth in shipments and revenue. Last year, the TV market was particularly challenging; demand was either flat or suffered a decline, and shipments to emerging markets slowed significantly due to economic instabilities in individual countries. As a result, global shipment recorded its first ever decline. In face of this, we reacted quickly by adjusting our product and marketing strategies. We pulled back from high-risk markets like Russia, where domestic demand took a big hit from the devaluation of the Ruble. In Latin America and Europe, it was also expedient for us to stay cautious amid uncertainties. In addition, we achieved impressive results in China: Philips TV is now established as the best-selling imported brand in China, which shows that our efforts to renew product offerings, distribution channels, and branding over the last few years has started to pay dividends.

On top of this, I am happy to share that we have added new clients and strengthened our position as a TV original design manufacturer ("ODM"), thanks largely to the growth of Internet TV which helped to stabilize our performance during this challenging time. The future of TPV relies on the success of both the ODM and the own brand manufacturer ("OBM") components of our operations, and by developing them along side each other, we are building a brighter, more sustainable future for the Group.

In 2015, the monitor market also faced obstacles. The downturn of the desktop PC market directly affected monitor demand to the point where it witnessed its biggest decline in a decade, as is reflected in our segment performance. The good news is that the segment's profit margins expanded and the average selling price increased. The profit contributed was higher than that of the year before, all thanks to our tenacity several years ago in exploring niche markets, including public display and professional monitors. These niche markets now account for about 5 percent of our total monitor shipments, and they are still growing. According to the global research agency IHS, the public display market will see growth at a compounded annual rate of about 9 percent between 2013 and 2019. This will benefit TPV directly as we are a key market player. In addition, IHS projects that the monitor market will stabilize in the near future, which will favor our business.

There is a fundamental change taking place in the TV industry. The growing popularity of video streaming, the plethora of digital devices available on the market, plus rapid technological advancements, have led to the desire for "high-quality", "smart", and "large-screen" displays at reasonable prices. We need to adopt completely new concepts and devise corresponding execution protocols throughout the entire organization to adapt successfully to these changes.

In the past years, we have identified structural deficiencies and certain execution issues that were causing unnecessary costs. We therefore established clear strategies, at all levels of the Company, to readjust and restore financial performance. We shall take action with the prime objective of aligning our cost structure with our revenue, through streamlining business processes and further investing in systems. To better control warranty costs, in Europe, we will relocate the after sales services from third-party vendors to in-house. We can also benefit from getting first-hand feedback from our customers to improve our product designs more quickly. A further measure to reduce costs is to retire products that don't sell well and reduce the number of TV SKUs ("stock-keeping units") from over 250 to around 150, thus mitigating risk.

On the manufacturing front, we shall permanently shut down surplus capacities, an example of which is the recently announced closure of our Jundiai plant in Brazil. While we continue to invest in technology and systems to improve efficiency, we shall be disciplined in our capital investment to conserve cash reserves. These measures may probably bring short-term discomfort but I truly believe that, over time, they will lead to improved financial performance and enhanced shareholder value.

With all the reorganization and transformation programs that we have undertaken over the last few years, we have recognized that the business is evolving from a manufacturing enterprise to a hi-tech company. This change is natural, and by embracing it we are ensuring the sustainable development of TPV's long-term future.

APPRECIATION

I express my sincere thanks for the unquestioning support of our shareholders, customers, partners, and employees. My gratitude goes to our Board of Directors for their invaluable guidance. Furthermore, I'd like to thank Mr Du Heping, who retired from the position of non-executive director, and would like to welcome Ms Bi Xianghui. With the continuing support from the individuals and teams who have contributed so much to TPV over the years, together we can make 2016 a great success.

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 17th March 2016

Management Discussion and Analysis

INDUSTRY REVIEW

2015 was a year marked by political and economic turmoil on a global scale. The refugee crisis in Europe, a general slowdown of economic activities in China and the dramatic decline of oil prices put immense pressure on the already ailing global economy, especially on those emerging economies which relied heavily on exports of commodities. While every economy struggled in this difficult climate, the growth of total worldwide TV unit shipments stalled and stood at 224 million. Unit shipments of LCD monitors saw a decline of approximately 8 percent year-on-year to 124 million, reflecting the continued weakness of the PC market.

There was downward pressure on product prices throughout 2015, caused in part by the weak macro-environment, and in part by the heavy competition among PC and TV brands in the face sluggish demand. During the third and fourth quarters of 2015, TV panel prices, in particular for the popular sizes such as 32-in, 40-in and 50-in, fell from mid-teens to over 20 percent, posting great challenges for system integrators and brands on inventory control. Monitor panel prices also marked a decline, though less steep than its TV peer, of approximately 10 to 15 percent on the already low bases.

GROUP PERFORMANCE

Last Year, the Group faced strong headwinds in most of the countries it operated in, and what can accurately be described as a global financial storm had an inevitable effect on the Group's performance. The Group's gross profit ("GP") margin as a result was 60 basis points lower at 7.9 percent (2014: 8.5 percent) due to unfavorable foreign exchange development and the need to make higher warranty provision for the TV business. Total revenue reduced by 7.1 percent to US$11.06 billion (2014: US$11.91 billion, as restated), and the Group recorded a loss attributable to shareholders of US$31.3 million (2014: loss of US$5.5 million as restated).

Despite the overall market weakness, there were some positive signs in the Group's TV business. Segment revenue and shipments, totaling US$5.03 billion and 18.2 million sets, respectively, were up a mild 1.4 percent and 6 percent compared to the prior year (2014: US$4.96 billion and 17.2 million sets, respectively, as restated), bucking the headwind. This small stride forward was attributable to the timely adjustment of product and marketing strategies globally and the growth in ODM business which continued to thrive under the support of our key customers. Nevertheless, segment profit margins were affected by stagnant market conditions, and were eroded further by the negative currency development. The TV segment GP margin declined to 7.8 percent (2014: 10.5 percent) and recorded an adjusted operating loss of US$86.1 million. Average selling price ("ASP") was US$276.30 (2014: US$288.30, as restated), reflecting the lower ASP of ODM products and the impact of a strong USD to the revenue generated in currencies other than USD.

With the increasing popularity of streaming video and other Internet services, the Group attracted new customers from a growing list of Internet content providers who intended to broaden their subscriber base and brand recognition through the sale of hardware. It is estimated that these content providers now make up around 10 percent of China's TV shipments, and TPV enjoys a leading position in this business segment. Additionally, the Group remains committed to its key ODM accounts which include some of the best known brands in the TV industry and believes that its pro-active product strategy and after sales support will create enough traction for these customers to return year after year.

In the monitor industry, the downturn of the desktop PC market has directly affected monitor demand — so much so that it suffered its biggest decline in a decade, which was duly reflected in our segment performance. Shipments of ODM monitors were reduced by 12.3 percent to 25.9 million units (2014: 29.5 million units) and own brand monitors also came down by 8.4 percent from 19 million to 17.4 million. Despite the volume drop, TPV continued to maintain a dominant position in the monitor market, commanding 34.9 percent of the global market share. Moreover, there was an increase in margins and ASP. GP margin showed an improvement of 0.5 percent to 8.4 percent (2014: 7.9 percent). Thanks to more large-screen units and premium models being sold, the ASP remained buoyant at US$112.30 (2014: US$107.70) despite the drag of panel prices. Segment revenue for the year stood at US$4.86 billion (2014: US$5.23 billion) and recorded a higher adjusted operating profit of US$139.6 million (2014: US$125.3 million).

OPERATIONS REVIEW

In August 2015, the Group acquired Shenzhen Sang Fei Consumer Communications Co., Ltd, a mobile communications enterprise based in Shenzhen, China. This acquisition has provided a good opportunity for the Group to leverage technology and distribution networks, which will, in turn, complement the Group's already diverse product portfolio and reach.

In November 2015, in order to streamline operations and maximize cost and management efficiency, the Group completed the merger of TPV and TP Vision entities in Russia, since the latter became our wholly-owned subsidiary in June 2014.

Furthermore, we invested in IT infrastructure to enhance backend office support functions and internal control where applicable. This included the introduction of reporting tools to speed up data analysis and standardize work flows and approval processes across the Group.

Production

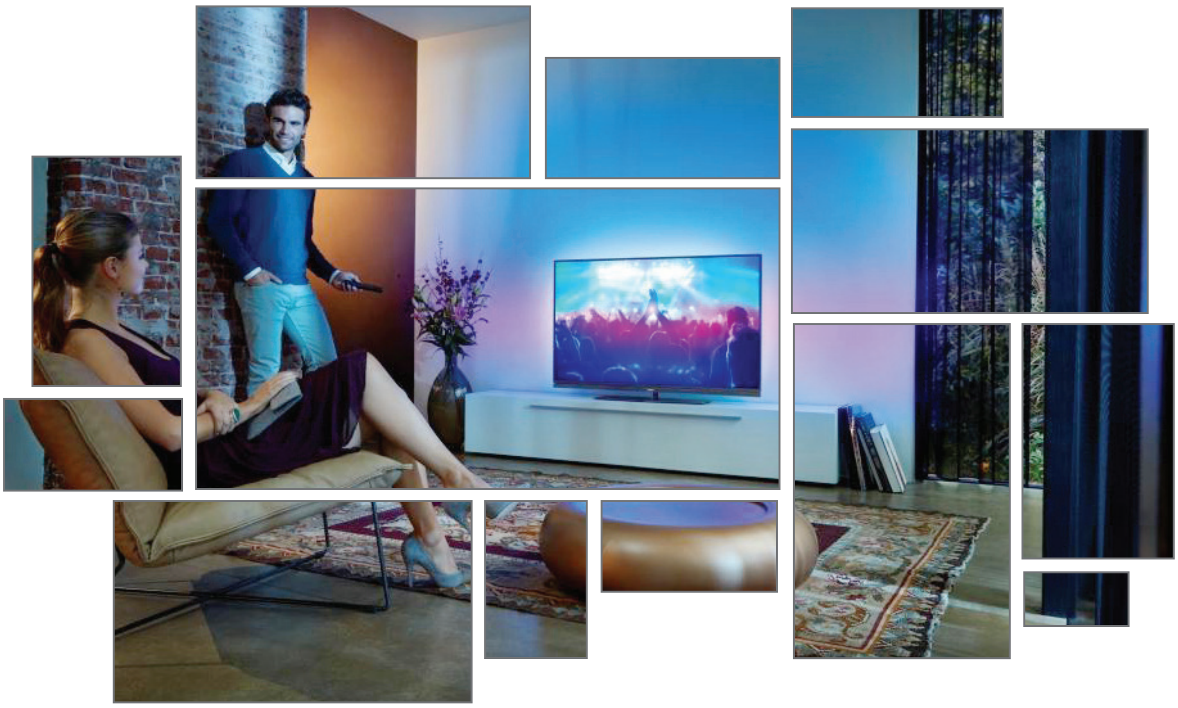
Building on last year's successful redesign and integration of TV and LCM production lines in Xiamen — which showed encouraging results — the Group extended this approach to other factories. Some of the TV and monitor assembly lines were redesigned to handle backend production, including LCM (LCD module assembly) and backlights. The benefits of this approach are several; not only does it cut costs associated with manpower and logistics, but also production lead time.

In 2015, we spent US$156.4 million on capital expenditure to maintain and upgrade our production facilities as well as investing in the projects mentioned above. The sum was largely funded by internally generated operating cash flow.

Sales and Distribution

In 2015, the Group was rewarded for its efforts to renew its TV distribution channels and product offerings in China. This was achieved by harnessing online-to-offline (O2O) marketing strategies. As a result, Philips TV was established as the best-selling imported brand in China. The year saw shipments more than double and business turned around to deliver a profit at year end.

We also adopted a prudent strategy in high-risk markets, such as Brazil and Russia. In view of the unstable economic and currency development in the country, we pulled back our own brand business to reduce exposure and to protect profit margins. This measure also explains the lower shipments for Philips TV, as Brazil is a major market for the brand.



Management Discussion and Analysis

Research and Development

Thanks to the ongoing efforts of the research and development teams, TPV received a number of awards at international trade shows for its picture quality, sound quality, industrial design, and innovative features. 2015's enriched product offerings included more models of smart TVs and TVs carrying our proprietary AmbiLux technology. The enhanced AmbiLux will create premium lighting effects around the TV corresponding to the video content to achieve magnifying effect to infinity, creating an excellent user viewing experience. Moreover, we also explored the use of curved screens across our products.

HUMAN RESOURCES

As of 31st December 2015, the total global workforce of TPV stood at 30,490 (2014: 31,589). As in previous years, employees were remunerated in accordance with industry practices in the geographical locations in which they were located. The belief that our employees are our most valuable asset remained unchanged. To ensure that this principle is upheld and sustained, TPV provided theoretical and practical training for our employees which covered technical, functional, and soft-skill topics pertinent to their roles. We also continued to encourage our people to study and grow professionally within the Group so they can perform at their best and further develop their careers.

Work-life balance is encouraged amongst all our employees. Throughout 2015 we organized many social activities to foster team building, and to create a harmonious work and living environment. We also encouraged employees to give back to society by making donations to charity. A good example of this was the event, "Running TPV!", in which over 1,200 employees and their families in China and Taipei participated. Other social activities designed included soccer games, basketball league and hiking expeditions.

OUTLOOK

For the overall market outlook in 2016, both TV and monitor markets are expected to be as competitive, or even tougher, than they were in 2015. As mentioned above, TV panel prices eroded both rapidly and unexpectedly in the second half of last year and this trend is expected to continue at least until the middle of 2016. In light of this, we are projecting TV shipments to be flattish year-on-year compared with 2015.

In view of the relatively slow market conditions in the fourth quarter of 2015 and the first quarter of 2016, brands are generally adopting a cautious view and conservative inventory policy in order to mitigate risk. Despite this, China's Internet TV market is growing at a rapid rate and is expected to expand from the current 10 percent market share to a 30 percent market share over the next 3 to 5 years. As a key player in this market, this presents an excellent opportunity for TPV, and we shall leverage on our strength in R&D and manufacturing to expand our share in this growing market even further.

Conversely, shipments of monitors are projected to stabilize after several years of consecutive decline. The forecasted shipment figure in 2016 is 122 million units, a 2 percent drop against a year ago.

As such, and after much deliberation, in 2016 we will transfer the production of IT products in Jundiai, Brazil, to our factory in the city of Manaus, which is currently used to manufacture TVs. From 2017 onwards, this move is expected to save the Group approximately US$10 million a year, with an estimated cost of US$6 million to be provided in full in 2016.

In addition, the Group's Innovation Center ("I&D") located in Ghent, Belgium, will be transformed into an innovation, development and technical support center. Some of the activities associated with the center will be transferred to the Group's existing I&D centers in mainland China and Taiwan. This exercise is estimated to bring an annual saving of US$26 million a year from 2017 onwards, with an estimated cost of US$47 million to be provided in 2016. Whilst this step will impact our financial results in the near term, its benefits will be felt for many years to come, putting the Group in a much stronger cost position to compete.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December 2015, the Group's cash and bank balances (including pledged bank deposit) totaled US$453.6 million (2014: US$506.2 million as restated). Credit facilities secured from banks totaled US$4.22 billion (2014: US$3.94 billion, as restated), of which US$1.90 billion was utilized (2014: US$1.44 billion as restated).

During the year, the Group has drawn down US$243 million with 3-year maturity with the aim to improve its liquidity.

All the Group's debts were borrowed on a floating-rate basis. Of these, about 75 percent were denominated in US dollar and Hong Kong dollar, while the balance was denominated in Euro and other local currencies. The maturity profile of the debts as at 31st December 2015 was as follows:

	As at 31st December 2015 (US$'000)	As at 31st December 2014 (US$'000) (restated)
Within one year	**145,965**	300,684
Between one and two years	**176,905**	30,000
Between two and five years	**264,176**	157,836
	587,046	488,520

The Group's gearing ratio, represented by the ratio of total borrowings and payable under discounting arrangement to total assets, was 16 percent (2014: 15.6 percent as restated), whereas our current ratio sustained at 117.7 percent (2014: 109.2 percent as restated).

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange arising from various currency exposures, primarily Renminbi, Brazil real, Euro, Russia ruble and Argentina peso. Foreign exchange risk arises from future commercial transaction, recognized assets and liabilities and net investments in foreign operations. Moreover, the conversion of Renminbi and Brazilian real into foreign currencies is subject to rules and regulations of exchange control promulgated by the Chinese and Brazilian governments. The Group has a standing foreign exchange risk management policy and uses forward contracts and various derivative instruments to mitigate the associated risks. Details of the risks are discussed in Note 3.1(a)(i) and 34(a) to the consolidated financial statements.

Report of the Directors

The directors submit their annual report together with the audited consolidated financial statements for the year ended 31st December 2015.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 18 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in Note 5 to the consolidated financial statements.

Detailed business review, including further discussions of the risks and uncertainties facing the Group, likely future development of the Group's business, and analysis on the financial key performance indicators, can be found in the Management Discussion and Analysis as set out on pages 6 to 9 and Note 3 to the consolidated financial statements as set out on pages 72 to 81 . These discussions form part of this Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 48.

PROPOSED FINAL DIVIDEND

The directors recommend the payment of a final dividend of US0.128 cent per ordinary share, totaling approximately US$3,002,000 for the year ended 31st December 2015.

The proposed final dividend is payable in cash to shareholders in US dollars save that those shareholders whose names appearing on the register of members of the Company in Hong Kong will receive the equivalent amount in HK dollars and those shareholders whose names appearing on the record of members of the Company in Singapore will receive the equivalent amount in Singapore dollars, both calculated at the relevant exchange rates quoted by banks in Hong Kong at or about 11:00 a.m. on Friday, 27th May 2016.

The dividend cheques will be distributed to shareholders on or about Tuesday, 7th June 2016.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Thursday, 26th May 2016 to Friday, 27th May 2016, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 25th May 2016 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 5:00 p.m. on Wednesday, 25th May 2016 (as the case may be).

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in Note 17 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$457,800.

PENSION

Details of the pension are set out in Note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 26 to the consolidated financial statements.

SHARE OPTION

At the annual general meeting held on 15th May 2003, shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme"). On 18th January 2011, 45,000,000 number of share options were granted with exercise price of HK$5.008 and exercisable within 10 years from the grant date.

The purpose of the Option Scheme is to provide the Company with a flexible and effective means of incentivizing, rewarding, remunerating, compensating and/or providing benefits to directors and employees of the Group.

The principal terms of the Option Scheme are summarized below:

(1) Participants of the Option Scheme

Any employee or director including executive and non-executive directors of the Company, any of its holding companies and any of their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds any equity interest.

(2) Maximum number of shares

The remaining number of shares available for issue under the Option Scheme is 189,583,613 representing 8.08 percent of the issued share capital of the Company as at the date of this report.

Since the Option Scheme expired on 14th May 2013, no further option can be granted under this scheme.

(3) Maximum entitlement of each participant

The board shall not grant any option (the "Relevant Option") to any participant, which, if exercised, would enable such participant to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all options granted to him (including those options exercised, cancelled or outstanding) in the 12-month period up to and including the offer date of the Relevant Options, exceed 1 percent of the shares in issue on such date.

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

(4) Payment on acceptance of options

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

(5) Time of exercise of options

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

SHARE OPTION (CONTINUED)

(6) Basis of determining the subscription price

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

(7) Remaining life of the Option Scheme

The Option Scheme has no remaining life as it expired on 14th May 2013. No further options may be granted but the provisions of the Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Option Scheme may continue to be exercisable in accordance with their respective terms of issue.

Particulars of outstanding options under the Option Scheme at the beginning and at the end of the year and options exercised and lapsed during the year were as follows:

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1st January 2015	Exercised	Lapsed	As at 31st December 2015
Director							
Dr Hsuan, Jason	18/01/2011	5.008 (Note)	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)	18/01/2012–17/01/2021	8,292,500	—	(1,075,000)	7,217,500
			18/01/2013–17/01/2021	8,292,500	—	(1,075,000)	7,217,500
			18/01/2014–17/01/2021	8,292,500	—	(1,075,000)	7,217,500
			18/01/2015–17/01/2021	8,292,500	—	(1,075,000)	7,217,500
				33,770,000	—	(4,300,000)	29,470,000

Note:

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.

SHARE OPTION (CONTINUED)

A new share option scheme of the Company (the "New Option Scheme") was approved and adopted by the shareholders of the Company at its special general meeting held on 2nd November 2015. No options were granted under the New Option Scheme for the year ended 31st December 2015. A summary of the New Option Scheme is set out below:

(1) Purpose

The purpose of the New Option Scheme is to incentivize and motivate eligible participants to perform and to reward for their contributions to the Group and to enable the Group to attract and retain high-calibre employees who will contribute to the long term sustainable growth of the Group.

(2) Participants of the New Option Scheme

The participants of the New Option Scheme include any eligible employee; and any director (including executive director, non-executive directors and independent non-executive directors) of the Company and any of its subsidiaries, and for the purposes of the New Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust.

(3) Total number of shares available for issue

(a) The total number of shares which may be issued upon exercise of all options (excluding for this purpose options which have lapsed in accordance with the terms of the New Option Scheme and any other schemes) to be granted under the New Option Scheme and any other schemes shall not exceed 10 percent of the Company's issued shares as of 2nd November 2015, being 234,563,613 shares unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10 percent limit under the New Option Scheme.

(b) The Company may seek prior approval from the shareholders in general meeting for refreshing the 10 percent limit such that the total number of shares which may be issued upon the exercise of the options to be granted under the New Option Scheme and any other schemes as "refreshed" shall not exceed 10 percent of the total number of shares in issue as at the date of said approval from the shareholders provided that options previously granted under the New Option Scheme or any other schemes (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the New Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the limit as "refreshed". The Company shall also send a circular to the shareholders setting out such information as required under the Listing Rules.

(c) Notwithstanding the foregoing, the Company may seek separate approval from the shareholders in general meeting for granting options beyond the 10 percent limit set out in paragraph 3(a) above provided that the grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. The Company shall also send a circular to the shareholders setting out such information as required under the Listing Rules.

(d) Notwithstanding anything to the contrary herein, the maximum number of shares which may be issued upon exercise of all outstanding options granted under the New Option Scheme and any other schemes (and yet to be exercised) must not exceed 30 percent of the total number of shares in issue from time to time. No options may be granted under the New Option Scheme or any other schemes if this will result in the limit set out in this paragraph being exceeded.

(e) The number of shares available for issue under the New Option Scheme is 234,563,613 representing 10 percent of the issued share capital of the Company (i.e. 2,345,636,139 shares) as at the date of this report.

SHARE OPTION (CONTINUED)

(4) Maximum entitlement of each participant

The total number of shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each participant must not exceed 1% of the shares of the Company in issue. However, subject to separate approval by the shareholders of the Company in general meeting with the relevant participant and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the participants is a connected person (as defined in the Listing Rules)) abstaining from voting and provided that the Company shall issue a circular to its shareholders before such approval is sought, the Company may grant a participant options which would exceed the aforesaid limit.

Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the Shareholders in general meeting. The grantee or his/her/its associate and all core connected persons of the Company must abstain from voting in favour at such general meeting.

(5) Option period

The New Option Scheme will remain in force for a period of ten years commencing on the date on which the New Option Scheme is adopted.

(6) Minimum period for which an option must be held before it is exercised

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the New Option Scheme for the holding of an option before it can be exercised.

(7) Time of exercise of options

An option may be exercised in accordance with the terms of the New Option Scheme at any time during a period to be determined and notified by the Board to each grantee, save that such period shall end in any event not later than ten years from the date of grant of the option and subject to the provisions for early termination thereof.

(8) Payment on acceptance of the option and period for acceptance

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option by payment from the participant and receipt by the Company of HK$1.00 prior to or on the last date of said 21 day period.

(9) Basis of determining the subscription price

The subscription price for shares under the New Option Scheme will be a price to be determined by the Board, but may not be less than the highest of (i) the closing price of the shares as stated on the Exchange's daily quotation sheet on the date of grant of the particular option; and (ii) the average closing price of the shares on the Exchange for the five trading days immediately preceding the date of the grant of the particular option.

(10) Remaining life of the New Option Scheme

The life span of the New Option Scheme is 10 years commencing from 2nd November 2015 and will expire on 1st November 2025.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2015, including contributed surplus, amounted to approximately US$116,985,000 (2014: US$119,585,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 133.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Director

Dr Hsuan, Jason	(Chairman) (Note 1)

Non-executive Directors

Mr Liu Liehong	(Note 3)
Ms Wu Qun	(Note 1 and 3)
Dr Li Jun	(Note 1 and 3)
Ms Bi Xianghui	(appointed on 20th August 2015) (Note 2 and 3)
Mr Hideki Noda	(Note 3)
Mr Du Heping	(resigned on 20th August 2015) (Note 5)

Independent Non-executive Directors

Mr Chan Boon Teong	(Note 3 and 4)
Dr Ku Chia-Tai	(Note 3 and 4)
Mr Wong Chi Keung	(Note 3 and 4)

Notes:

(1) In accordance with Bye-law 99 of the Company's Bye-laws, Dr Hsuan, Jason, Ms Wu Qun and Dr Li Jun will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

(2) In accordance with Bye-law 102(B) of the Company's Bye-laws, Ms Bi Xianghui will retire by rotation and, being eligible, will offer herself for re-election at the Company's forthcoming annual general meeting.

(3) None of the non-executive directors was appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

(4) The Company has received confirmation of independence from independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung, and considers them to be independent.

(5) Mr Du Heping has retired from his position as a non-executive director and a member of Information Disclosure Committee of the Company with effect from 20th August 2015. Mr Du has confirmed that he has no disagreement with the Board and that there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without the payment of compensation, other than the statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr Hsuan, Jason
Executive Director
Chairman & Chief Executive Officer (Age: 72)

Dr Hsuan, joined the Group in 1990 and has been the chairman and chief executive officer of the Company since 1999. Dr Hsuan is the chairman of nomination committee, investment committee and information disclosure committee and a member of remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Dr Hsuan is responsible for the overall corporate policies and business development of the Group. Before joining the Company, he had over 20 years of managerial experience in well-known multinational listed enterprises which include General Electric Company and PepsiCo Inc. Dr Husan graduated from the Department of Electrical Engineering of National Cheng Kung University, Taiwan in 1968, and holds a Doctorate degree of Philosophy in Systems Engineering from the Polytechnic Institute of Brooklyn and a Master's degree in Systems Engineering from Boston University. Dr Hsuan is a chairman of Standard Investment (China) Limited, Shanghai Standard Food Co. and Standard Food (China) Limited, director of Standard Foods Corporation (a company listed on the Taiwan Stock Exchange) and an independent director of Array inc. (a company listed on the GreTai Securities Market). Dr Hsuan previously served as a non-executive director of Nanjing Panda Electronics Company Limited (a company listed on the Exchange and Shanghai Stock Exchange) (resigned on 30th June 2015). Dr Hsuan is the brother-in-law of Dr Chen Nai-Yung, senior vice president and chief information officer of the Company.

Mr Liu Liehong
Non-executive Director (Age: 47)

Mr Liu obtained his MBA degree from Xi'an Jiaotong University, China and titles of senior engineer and researcher. He is an industry expert enjoying special government allowance granted by China State Council. He has rich experience in managing large enterprises. Mr Liu is the chairman of the board, the executive director and chairman of strategic development and risk control committee of Great Wall Technology Company Limited ("GWT"), and the director and general manager of China Electronics Corporation ("CEC"), which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr Liu previously served as the chairman of the board of China Electronics Industry Corporation and CEC Corecast Company Limited (a company listed on Shanghai Stock Exchange), the chairman of the board, legal representative and non-executive director of CCID Consulting Company Limited (a company listed on the Exchange), the president of China Center of Information Industry Development, the director of the Second Research and the deputy director of the Twenty Nine Research Institute of China Electronics Technology Group Corporation. Mr Liu became a non-executive director of the Company in October 2009.

Ms Wu Qun
Non-executive Director (Age: 56)

Ms Wu, a graduate of the Research Institute for Fiscal Science, Ministry of Finance, China with a Doctorate degree in Accounting and received a title of senior accountant. Ms Wu has solid experience in capital and asset management. Currently, she is the chief corporate economist of CEC and the director of CEC's asset management department, a substantial shareholder of the Company within the meaning of Part XV of the SFO. She is also a director of China Great Wall Computer Group Company ("CGWCG"), the chairman of the board of CEC Huahong International Company Limited and a director of Shanghai Hua Hong (Group) Co., Ltd. She was previously appointed as a director of China Integrated Circuit Design (Group) Corp., Ltd. (resigned on 5th January 2015), the deputy general manager of CEC's asset management department, a director of Great Wall Information Industry Co., Ltd. (a company listed on Shenzhen Stock Exchange), the general manager of China Electronics Industry Corporation's finance department, a director of management and consulting department of Deloitte Touche Tohmatsu CPA Limited, a director of Deloitte Beijing substation department of risk management, the supervisor, accounting department of Research Institute for Fiscal Science, Ministry of Finance, China. Ms Wu was appointed as a non-executive director of the Company in October 2009. She is also a member of nomination committee and investment committee of the Company.

Directors (Continued)

Dr Li Jun
Non-executive Director (Age: 40)

Dr Li, graduated from Wu Han University with a doctorate degree in Photogrammetry and Remote Sensing. Dr Li has over 10 years of working experiences in government industrial planning, enterprise strategic, informatization planning and science & technology management. He has successfully directed a number of influential monographs, on regional and municipal industrial planning, operation strategies of large scale state-owned enterprises directly under control of the central government and informatization planning projects. He also directed the writing of *China Strategic Emerging Industries Development and Application, China Strategic Emerging Industries Development and Management, Investment Financing M&A of China Strategic Emerging Industries* and *China Cloud Computing Industry Development and Application*. Dr Li currently is a non-executive director of Solomon Systech (International) Limited (a company listed on the Exchange) and the Deputy General Manager of the Department of Planning, Science & Technology of CEC, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He previously served as the President and the Executive Director of CCID Consulting Company Limited (a company listed on the Exchange) and the Deputy Chief Engineer of China Center for Information Industry Development, which is the biggest think tank under the supervision of the Ministry of Industry and Information Technology. Dr Li was appointed as a non-executive director of the Company in March 2014. He is also a member of investment committee of the Company.

Ms Bi Xianghui
Non-executive Director (Age: 39)

Ms Bi graduated from East China Jiaotong University with a master degree in accounting and obtained a title of senior accountant. She is a member of China Certified Public Accountant and China Certified Public Valuer. Ms Bi has over 10 years of working experience in group enterprises financial management. She is professional in various fields such as group financial control, financial strategy, comprehensive budget management, accounting information management, performance evaluation, fund operation, financial informatization and so on. Ms Bi is the Deputy General Manager of the Finance Department of CEC and previously served as Division Chief of Budget Division and Accounting Information Division for CEC. Ms Bi was appointed as a non-executive director on 20th August 2015. She is also a member of each of the remuneration committee and information disclosure committee of the Company.

Mr Hideki Noda
Non-executive Director (Age: 53)

Mr Noda graduated from Hitotsubashi University with a bachelor degree in law. He has over 25 years of experience in the electronics business field. Mr Noda joined Mitsui in 1985, one of the biggest trading firms in Japan (a company listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, Sapporo Securities Exchange and Fukuoka Stock Exchange). Currently, Mr Noda is the general manager of IT Service Division, IT & Communication Business Unit of Mitsui, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr Noda was appointed as a non-executive director of the Company in April 2014. He is also a member of each of the investment committee and information disclosure committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr Chan Boon Teong

Independent Non-executive Director (Age: 73)

Mr Chan graduated from Imperial College of the University of London with a Bachelor's degree in Electrical Engineering. Mr Chan also holds Master's degrees in Electrical Engineering and Operational Research from the Polytechnic University of New York City. He has over 40 years of experience in the financial, commercial, industrial and real estate business in the Southeast Asia region. Currently, Mr Chan is the honorary chairman and a senior consultant of Coastal Greenland Limited (a company listed on the Exchange). Previously, he was the chairman and an executive director of Coastal Greenland Limited, a director of the former Kowloon Stock Exchange, a Committee member of the 9th, 10th and 11th Plenary Sessions of the Chinese People's Political Consultative Conference from March 1998 to February 2013, a member of the 6th, 7th and 8th Standing Committee of the All-China Federation of Returned Overseas Chinese from 1999 to 2013 and a director of Cathay United Bank Co. Ltd., a subsidiary of a listed company in Taiwan from 1998 to 2013. Mr Chan was appointed as an independent non-executive director of the Company in May 1998. He is also the chairman of audit committee and remuneration committee and a member of nomination committee, investment committee and information disclosure committee of the Company.

Dr Ku Chia-Tai

Independent Non-executive Director (Age: 73)

Dr Ku holds a Bachelor's degree in Electrical Engineering from National Cheng Kung University, Taiwan, a Master's degree in Electrical Engineering from Rutgers, the State University of New Jersey, U.S.A. and a Doctorate degree in Electrical Engineering from the University of Pittsburgh, U.S.A. Dr Ku has over 30 years of managerial experience in both computer and telecommunications industries. Previously, he was an independent director of Systex Corporation (a company listed on Taiwan Stock Exchange). He was also the general manager of Wang Computer (Taiwan) Limited, the president of GTE Taiwan Communication Systems Limited, the president of Siemens Telecom Systems Limited and the president of Beijing Switching International Co. Dr Ku was appointed as an independent non-executive director of the Company in May 1998. He is also a member of audit committee, nomination committee and remuneration committee of the Company.

Mr Wong Chi Keung

Independent Non-executive Director (Age: 61)

Mr Wong holds an MBA degree from the University of Adelaide, Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr Wong is also a responsible officer for asset management, advising on securities and corporate finance for Greater China Capital Limited (formerly known as Sinox Fund Management Limited) under the SFO of Hong Kong.

Mr Wong has over 38 years of experience in finance, accounting and management. He is currently an independent non-executive director and a member of the audit committee of ENM Holdings Limited, Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Limited, China Ting Group Holdings Limited, Fortunet e-Commerce Group Limited (formerly known as Changfeng Axle (China) Company Limited), Golden Eagle Retail Group Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, Yuan Heng Gas Holdings Limited (formerly known as Ngai Lik Industrial Holdings Limited), Zhuguang Holdings Group Company Limited and China Shanshui Cement Group Limited (appointed on 2nd February 2016), all of these companies are listed on the Exchange. Mr Wong was previously an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) for over ten years, an independent non-executive director of First Natural Foods Holdings Limited and PacMOS Technologies Holdings Limited, all of them are listed on the Exchange. Mr Wong was appointed as an independent non-executive director of the Company in August 2004. He is also the member of audit committee, nomination committee, remuneration committee and an alternate member to Mr Chan Boon Teong of information disclosure committee of the Company.

Senior Management

Mr Shane Tyau
Senior Vice President and Chief Financial Officer (Age: 59)

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

Dr Chen Nai-Yung
Senior Vice President and Chief Information Officer (Age: 65)

Dr Chen, joined the Group in 2008, is in charge of the information technology and human resources of the Group. He graduated from National Taiwan University, Taiwan with a Bachelor's degree in Electrical Engineering and a Doctorate degree in Electrical Engineering from the University of Rhode Island, U.S.A. Prior to joining the Group, he worked for the Texas Instruments Incorporated (a company listed on New York Stock Exchange) and Semiconductor Manufacturing International Corporation (a company listed on the Stock Exchange of Hong Kong Limited). Dr Chen is the brother-in-law of Dr Hsuan, Jason, the chairman and chief executive officer of the Group.

Mr Hsieh Chi-Tsung
Senior Vice President (Age: 64)

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

Mr Tuan Chen-Hua
Senior Vice President (Age: 63)

Mr Tuan, joined the Group in 1978, is responsible for the Group's own brand business in China and the Group's procurement operations. He holds a management degree in Business from Tsinghua University, Beijing. He was in charge for various businesses of the Group, such as materials procurement, Original Equipment Manufacturer ("OEM") and own brand. Mr Tuan has been responsible for the own brand business since 2003 and led the team to realize a remarkable improvement in the said aspect, making AOC as one of the top brands of monitors among the world. He has been serving for the Group for over 38 years.

Mr Wang Pi-Lu
Vice President and Chief Operating Officer (Age: 43)

Mr Wang is in charge of factory operation, quality assurance, customer service, manufacturing, supply chain management of the Group. He graduated from Kuangwu College in Industrial Engineering. Prior to joining the Group, He worked for TATUNG Beitou as plant manager and TATUNG Czech as general manager and has gained rich management experience in electronics field.

Mr Yang Shu-Kan
Vice President (Age: 49)

Mr Yang, joined the Group in 2012, is in charge of ODM monitor business, product strategy & planning, and mobile business of the Group. He graduated from Taiwan University with a Bachelor degree in Electrical Engineering. Prior to joining the Group, he worked for Elitegroup Computer Systems Co., Ltd. for 9 years and was in charge of desktop business.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management (Continued)

Mr Chen Yi-Jen
Vice President (Age: 51)

Mr Chen, joined the Group in 2010, is in charge of ODM TV Business Group of the Group. With the bachelor degree of Art, graduated from the Department of Law, National Taiwan University and attended a government sponsored training program, International trade Institute. Prior to joining the Group, he worked at several major electronics companies in Taiwan for more than 15 years, including OEM/ODM business model, covering finished good and component categories.

Mr Cheng Wei-Chih
Vice President (Age: 46)

Mr Cheng, joined the Group in 2008, is in charge of Touch Display and Tablet Business Units operations since 2013. Prior to current position in TPV, he was in charge of TV sales operation and TV BU COO. Before he joined the Group, he worked for Lite-On Technology Corporation as TV BU Head and Corning Display Technologies as Commercial and Operation Director. He graduated from National Taiwan University with a bachelor degree in Chemical Engineering and Yale University, U.S.A. with a Master's degree in Material Science.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There was no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31st December 2015, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests and short positions in which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") were as follows:

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

Name of director/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 31st December 2015, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (CONTINUED)

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

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

As at 31st December 2015, the Group is controlled by CEC, which owns 37.05% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2015, 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	869,088,647 (Note 1, 2)
CGWCG	570,450,000 (Note 1, 2)
GWT	570,450,000 (Note 1, 2)
China Great Wall Computer Shenzhen Co., Ltd. ("CGCSZ")	570,450,000 (Note 1, 2)
China National Electronics Imp. & Exp. Corporation	251,958,647 (Note 1, 2)
CEIEC (H.K.) Limited ("CEIEC HK")	251,958,647 (Note 1, 2)
Mitsui	426,802,590 (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) CEC, CGCSZ and CEIEC HK are the registered holders of the aggregate of 869,088,647 Shares held within the CEC Group, of which 46,680,000 Shares are held by CEC, 570,450,000 Shares are held by CGCSZ, and 251,958,647 Shares are held by CEIEC HK. CGCSZ is owned as to 53.92% by GWT. GWT is a company owned as to 62.11% by CGWCG, 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 section.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 5.74% by CMC.

MANAGEMENT CONTRACTS

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

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

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

Sales

— the largest customer	9.86%
— five largest customers combined	34.01%

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

Purchases

— the largest supplier	17.87%
— five largest suppliers combined	40.98%

Innolux being a substantial shareholder of the Company, has beneficial interest in one of the five largest suppliers disclosed above during the year.

Apart from disclosed above, none of the directors, their associates or any shareholder which to the knowledge of the directors owns more than 5 percent of the Company's issued share capital had an interest in the major suppliers or customers noted above.

Key Relationships

(1) Employees

The belief that our employees are our most valuable asset remained unchanged. To ensure that this principle is upheld and sustained, the Group offers competitive remuneration packages in accordance with industry practices in the geographical locations in which they are located. We also provide training and development opportunities for our employees covering different areas. Work-life balance is encouraged amongst all our employees. Social activities have been organized to create a harmonious work and living environment. Further discussions on our human resources can be found in the Management Discussion and Analysis as set out on page 8.

(2) Suppliers

TPV has built close and long-term relationship with the suppliers. The strategic partnerships with some of our key suppliers have further created synergies for both TPV and our suppliers.

Standard procurement procedures are in place to ensure the selection of our suppliers is based on a fair process and the compliance of relevant regulatory and quality requirements by our suppliers.

(3) Customers

Long-term support from our customers is critical to our success. TPV is accredited by many of our ODM customers as a valuable and trust-worthy business partner. To better support our OBM customers, we have enhanced our after-sales services during the year. We also worked closely with our distributors to provide quality services at retail channels.

(4) Investors

TPV gives high priority in communication with shareholders and investors. Further discussions on our investor relations can be found in the Corporate Governance Report as set out on page 45 of this Annual Report.

Environmental Policy

Balancing the needs of business development and environmental protection is the key for sustainable growth. The Group endeavors to make continuous improvements by introducing more environmental friendly policies in manufacturing sites and offices to enhance energy efficiency, reduce consumption of resources and carbon emission. In 2015 certain integrations were made in the assembly lines in order to streamline the manufacturing process, save energy and reduce use of packaging materials. Introduction of new sewage disposal facilities in our sites ensured compliance with the relevant regulatory requirements.

Compliance with Laws and Regulations

The Company has not violated the relevant laws and regulations that have a significant impact in the countries where the Company has operations during the year under review.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 41 to the consolidated financial statements also constituted connected transaction under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. These transactions, as identified below, between certain connected party (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing during the year. The Company has complied with the relevant requirements in accordance with Chapter 14A of the Listing Rules with respect to these connected transaction and continuing connected transactions.

(1) Transaction with Mitsui and its associates (the "Mitsui Group")

The following transactions between the Group and the Mitsui Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement and the Component Sourcing Agreement (details of which are contained in the Circular to shareholders dated 13th December 2012 (the "December 2012 Circular")).

At the special general meeting of shareholders held on 28th January 2013, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and their respective annual caps. The transaction amounts in respect of each of these continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	23rd November 2012	The Mitsui Supply Agreement 1st January 2013–31st December 2015	The Company and Mitsui, a substantial shareholder of the Company	The sales to the Mitsui Group by the Group for the supply and delivery of Products (including LCD modules as defined in the December 2012 Circular) under the Supply Agreement	The TPV Group will sell the Products to the Mitsui Group on a purchase-by-purchase basis. The price and specifications of the Products shall be set out in a purchase order. The price and the other terms of the purchase shall be (i) on normal commercial terms; (ii) determined with reference to the prevailing market prices; and (iii) determined after arm's length negotiation. Price quotation mechanism will be the same as the other independent customers to ensure the price and other terms are no more favorable to Mitsui compared to all other independent customers.	Nil	US$22,000,000
(ii)	23rd November 2012	The Component Sourcing Agreement 1st January 2013–31st December 2015	The Company and Mitsui, a substantial shareholder of the Company	The purchase of Components (including bare cells, printed circuit boards as defined in the December 2012 Circular) by the Group from the Mitsui Group under the Component Sourcing Agreement	The TPV Group will purchase the Components from the Mitsui Group on a purchase-by-purchase basis. The price and specifications of the Components shall be set out in a purchase order. The purchase price and other terms of the purchase shall be (i) on normal commercial terms; (ii) determined with reference to the prevailing market prices; and (iii) determined after arm's length negotiation. Price quotation mechanism will be the same as the other independent suppliers to ensure the price and other terms are no less favorable to Mitsui compared to all other independent suppliers.	US$569,000	US$469,000,000

CONNECTED TRANSACTIONS (CONTINUED)

(1) Transaction with Mitsui and its associates (the "Mitsui Group") (Continued)

Reference is made to the announcement of the Company dated 23rd November 2012, the transactions contemplated under the Framework Secondment Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(iii)	23rd November 2012	The Framework Secondment Agreement 1st January 2013– 31st December 2015	The Company and Mitsui, a substantial shareholder of the Company	The secondment of various secondees from the Mitsui Group to the TPV Group under the Framework Secondment Agreement	Each secondment from the Mitsui Group to the TPV Group shall be in accordance with the detailed terms and conditions agreed between the parties on a case-by-case basis. The detail terms and conditions of the secondment, including the fee and any other benefits payable by the TPV Group to Mitsui Group, in relation to the secondment shall be (i) on normal commercial terms; and (ii) determined after arm's length negotiation.	Nil	US$1,100,000

(2) Transaction with CGCSZ and its subsidiaries (the "CGCSZ Group")

The following transactions between the Group and the CGCSZ Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement (details of which are contained in the Circular to shareholders dated 13th December 2012 (the "December 2012 Circular")).

At the special general meeting of shareholders held on 28th January 2013, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	23rd November 2012	The CGCSZ Supply Agreement 1st January 2013– 31st December 2015	The Company and CGCSZ, a substantial shareholder of the Company	The sales to the CGCSZ Group by the Group for the supply and delivery of LCD Monitors (as defined in the December 2012 Circular) under the Supply Agreement	The Group will sell the LCD Monitors to the CGCSZ Group on a purchase-by-purchase basis. The price and specifications of the LCD Monitors shall be set out in a purchase order. The price and payment terms shall be (i) on normal commercial terms; (ii) determined with reference to the prevailing market prices; and (iii) determined after arm's length negotiation. Price quotation mechanism will be the same as the other independent customers to ensure the price and other terms are no more favorable to CGCSZ compared to all other independent customers.	Nil	US$34,000,000

CONNECTED TRANSACTIONS (CONTINUED)

(3) Transaction with the CEC Group (the "CEC Group")

Reference is made to the announcement of the Company dated 8th March 2013, the transactions between the Group and CEC contemplated under the Trademarks Licensing and Sales Agency Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	8th March 2013	The Trademarks Licensing and Sales Agency Agreement 8th March 2013– 31st December 2015	Wuhan Admiral Technology Limited ("AOC"), a wholly-owned subsidiary of the Company and CEC, a substantial shareholder of the Company	The trademark fee paid to CEC Group under the Trademarks Licensing and Sales Agency Agreement dated 8th March 2013 for using the Great Wall Monitor Trademarks and the word "長城顯示器" in the PRC, including the rights to manufacture, produce, sales and management of the distributors of the Great Wall Monitors	The royalty and sales agency fee will be equivalent to 0.6% of the net sales of Great Wall Monitors. The fee is determined after arm's length negotiations between AOC and CEC after taking into account both the historical and projected sales volume, sales price, market share and the revival plan of the Great Wall Monitors as well as comparable transactions.	US$275,000	US$820,670

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

The following transactions between the Group and the Panda LCD Group (a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the Circular to shareholders dated 19th January 2015 (the "January 2015 Circular")).

At the special general meeting of shareholders held on 5th February 2015, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	24th December 2014	The Procurement Agreement 1st January 2015– 31st December 2017	Top Victory Investments Limited ("TVI"), a wholly-owned subsidiary of the Company and Nanjing CEC Panda LCD Technology Co., Ltd., a non-wholly owned subsidiary of CEC	The procurement of the Products (including LCD panel as defined in the January 2015 Circular) by the Group from Panda LCD Group under the Procurement Agreement	The procurement of the Products by TVI and its subsidiaries from the Panda LCD Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the Products. Pursuant to the Procurement Agreement, the pricing and payment terms of the Products shall be negotiated on an arm's length basis between the parties to the Procurement Agreement, subject to a tendering process and benchmarking with price quotations from other independent third party suppliers, and be determined based on normal commercial terms with reference to prevailing market prices that are fair and reasonable and in any event should be below the best available price offered by the Panda LCD Group to independent third parties.	US$146,467,000	US$617,801,000

Report of the Directors

CONNECTED TRANSACTIONS (CONTINUED)

(5) Transaction with Shenzhen Sang Fei Consumer Communications Co., Ltd. and its associates (the "Sang Fei Group")

The following transactions between the Group and the Sang Fei Group (a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreement (details of which are contained in the Circular to shareholders dated 19th January 2015 (the "January 2015 Circular")).

At the special general meeting of shareholders held on 5th February 2015, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	24th December 2014	The Supply Agreement 1st January 2015–31st December 2017	The Company and Shenzhen Sang Fei Consumer Communications Co., Ltd. ("Sang Fei"), a non-wholly owned subsidiary of CEC	The sales to the Sang Fei Group by the Group for the supply of Products (including touch screen panels and such new products, as defined in the January 2015 Circular) under the Supply Agreement	The TPV Group will sell the Products to the Sang Fei Group on a purchase-by-purchase basis. The price and specifications of the Products shall be set out in a purchase order. The price and the other terms of the purchase shall be (i) on normal commercial terms; (ii) determined with reference to the prevailing market prices; (iii) taking into consideration the cost and reasonable profit margin of the TPV Group; (iv) determined after arm's length negotiation, and (v) in any event, no more favourable to the Sang Fei Group than terms available to independent third party customers. The price quotation is subject to a tendering and benchmarking process.	US$4,036,000	US$33,080,000

Reference is made to the announcement of the Company dated 30th September 2014, the transactions between the Group and the Sang Fei Group contemplated under the Master Supplier Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(ii)	30th September 2014	The Master Supplier Agreement 30th September 2014–31st December 2015	TVI and Sang Fei, a non-wholly owned subsidiary of CEC	The purchase of SF Products (including mobile phones, batteries and headsets as defined in the announcement dated 30th September 2014) by the Group from the Sang Fei Group under the Master Supplier Agreement	Pursuant to the Master Supplier Agreement, Sang Fei shall sell the SF Products to the TVI Group on a purchase-by-purchase basis. The price and specifications of the SF Products shall be specified in a purchase order to be issued to Sang Fei. The price will be subject to benchmarking with price quotations from other independent third party vendors. Sang Fei represents and warrants that the terms of the supply of the SF Products shall be on normal commercial terms or better to the TVI Group and shall not be less favorable than terms (including prices) applicable to sales by Sang Fei to any other customer purchasing like quantities of substantially comparable products.	US$1,141,000	US$12,600,000

CONNECTED TRANSACTIONS (CONTINUED)

(6) Transaction with Shenzhen Jing Wah Consumer Communications Co., Ltd. and its associates (the "Jing Wah Group")

Reference is made to the announcement of the Company dated 30th September 2014, the transactions between the Group and the Jing Wah Group (a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) contemplated under the Procurement Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	30th September 2014	The Procurement Agreement 30th September 2014–31st December 2015	TVI and Shenzhen Jing Wah Consumer Communications Co., Ltd., a non-wholly owned subsidiary of CEC	The purchase of JW Products (including tablets, as defined in the announcement dated 30th September 2014) by the Group from the Jing Wah Group under the Procurement Agreement	Pursuant to the Procurement Agreement, Jing Wah will sell the JW Products to the TVI Group on a purchase-by-purchase basis. The price and specifications of the JW Products shall be specified in a purchase order to be issued to Jing Wah. The price will be subject to benchmarking with price quotations from other independent third party vendors. Jing Wah represents and warrants that the terms of the supply of the JW Products shall be on normal commercial terms or better to the TVI Group and shall not be less favorable than terms (including prices) applicable to sales by Jing Wah to any other customer purchasing like quantities of substantially comparable products.	US$5,905,000	US$8,000,000

(7) Transaction with Shenzhen CECI Information Technology Co., Ltd. and its associates (the "SZIT Group")

The following transactions between the Group and the SZIT Group (a wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the Circular to shareholders dated 19th January 2015 (the "January 2015 Circular")).

At the special general meeting of shareholders held on 5th February 2015, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	24th December 2014	The Procurement Agreement 1st January 2015–31st December 2017	TVI and Shenzhen CECI Information Technology Co., Ltd., a wholly owned subsidiary of CEC	The purchase of SZIT Products (including electronic components or semi-conductors, as defined in the January 2015 Circular) by the Group from SZIT Group under the Procurement Agreement.	The Group will purchase the SZIT Products from the SZIT Group on a purchase by-purchase basis. The price and specifications of the SZIT Products shall be set out in a purchase order. The price and the other terms (including the payment terms) of the purchase order shall be (i) on normal commercial terms; (ii) determined with reference to the prevailing market prices; (iii) taking into consideration the cost and reasonable profit margin of the Group; (iv) determined after arm's length negotiation; (v) subject to tendering process and benchmarking with price quotations from other independent third party suppliers and (vi) in any event, no more favourable to the SZIT Group than price and the other terms available to independent third party customers.	US$504,000	US$11,310,000

CONNECTED TRANSACTIONS (CONTINUED)

(8) Transaction with Shenzhen SED Electronics Maintenance Co., Ltd. ("SZSED Product Repairing")

Reference is made to the announcement of the Company dated 5th June 2015, the transactions between the Group and SZSED Product Repairing (a wholly-owned subsidiary of Shenzhen Kaifa Technology Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000021), a subsidiary of CEC, the ultimate controlling shareholder of the Company) contemplated under the certain operational agreements were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	4th January 2015	The Inspection Agreement 4th January 2015–31st December 2016	Sang Fei and SZSED Product Repairing, a subsidiary of CEC	SZSED Product Repairing was authorised by Sang Fei to be the collection point for Philips branded mobile phones under the Inspection Agreement (as defined in the Company's announcement dated 5th June 2015)	SZSED Product Repairing will charge Sang Fei a fixed price of RMB10 for areas covered by Sang Fei's logistic network and RMB25 for areas out of Sang Fei's logistic network.	Nil	Nil
(ii)	9th January 2015	The Batch Maintenance Agreement 9th January 2015–31st December 2016	Sang Fei and SZSED Product Repairing, a subsidiary of CEC	SZSED Product Repairing agreed to provide replacement of defective electronic components, motherboard and case of Philips branded mobile phones under the Batch Maintenance Agreement (as defined in the Company's announcement dated 5th June 2015)	SZSED Product Repairing will charge Sang Fei a fixed replacement cost of RMB50 for each Philips branded mobile phone.	Nil	Nil
(iii)	20th January 2013	The Maintenance and Renewal Agreement 20th January 2013–31st December 2016	Sang Fei and SZSED Product Repairing, a subsidiary of CEC	SZSED Product Repairing will provide renewal service for those defective Philips branded mobile phones which meet the renewal terms as stipulated under the Chinese regulations under the Maintenance and Renewal Agreement (as defined in the Company's announcement dated 5th June 2015)	SZSED Product Repairing will charge Sang Fei a fixed price of RMB42 for each eligible defective Philips branded mobile phones.	Nil	Nil
(iv)	1st March 2011	The Repair Agreement 1st March 2011–31st December 2016	Sang Fei and SZSED Product Repairing, a subsidiary of CEC	SZSED Product Repairing agrees to provide maintenance service for Philips branded mobile communication products under the Repair Agreement (as defined in the Company's announcement dated 5th June 2015)	SZSED Product Repairing will charge Sang Fei a fixed price of RMB65 for the mobile phones with selling price higher than or equal to RMB600 and RMB35 for mobiles phones with selling price lower than RMB600 respectively.	Nil	Nil

CONNECTED TRANSACTIONS (CONTINUED)

(9) Transaction with Shenzhen SED Electronic Communication Market Co., Ltd. ("SZSED Communication Market")

Reference is made to the announcement of the Company dated 5th June 2015, the transactions between the Group and SZSED Communication Market (a subsidiary of China CEC International Information Service Co., Ltd., a wholly-owned subsidiary of CEC, the ultimate controlling shareholder of the Company) contemplated under the After-sale Service Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	19th December 2014	The After-sale Service Agreement 19th December 2014– 18th December 2016	Sang Fei and SZSED Communication Market, a subsidiary of CEC	SZSED Communication Market is authorised by Sang Fei to be the non-exclusive after-sale service provider on the mobile communication products Sang Fei produces and sells under the After-sale Service Agreement, (as defined in the Company's announcement dated 5th June 2015)	SZSED Communication Market will charge Sang Fei at a pre-determined formula, i.e. the cost of materials and a fixed maintenance service fee based on the repair level as set out in the After-sale Service Agreement.	US$1,000	Nil

(10) Transaction with Shenzhen SED Wireless Communication Technology Co., Ltd. ("SZSED Wireless")

Reference is made to the announcement of the Company dated 5th June 2015, the transactions between the Group and SZSED Wireless (a subsidiary of China CEC International Information Service Co., Ltd., a wholly-owned subsidiary of CEC, the ultimate controlling shareholder of the Company) contemplated under the Further Assembly Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	9th July 2014	The Further Assembly Agreement 9th July 2014– 8th July 2019	Sang Fei and SZSED Wireless, a subsidiary of CEC	Sang Fei was appointed by SZSED Wireless as the subcontractor to manufacture products authorised by SZSED Wireless and provide quality control service on the products under the Further Assembly Agreement (as defined in the Company's announcement dated 5th June 2015)	Pursuant to the Further Assembly Agreement, Sang Fei will charge SZSED Wireless further assembly fee based on a pre-determined formula, i.e. the sum of its direct and indirect labour cost, share of rental, utility expenses and depreciation of equipment plus 15% profit margin.	US$241,000	Nil

CONNECTED TRANSACTIONS (CONTINUED)

(11) Transaction with Shenzhen SED Industry Co., Ltd. ("SZSED")

Reference is made to the announcement of the Company dated 5th June 2015, the transactions between the Group and SZSED (the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000032) and owned as to approximately 42.0% by CEC, the ultimate controlling shareholder of the Company) contemplated under the Tenancy Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	29th May 2015	The Tenancy Agreement The First Property 1st January 2015–31st December 2017 The Second Property 1st June 2015–31st December 2017	Sang Fei and SZSED, a subsidiary of CEC	Sang Fei agreed to rent an office premise in Nanshan District, Shenzhen owned by SZSED under the Tenancy Agreement (as defined in the Company's announcement dated 5th June 2015)	The First Property RMB232,105 (equivalent to approximately US$37,436) per month for the period from 1st January 2015 to 30th June 2015 and RMB222,013 (equivalent to approximately US$35,809) per month for the period from 1st July 2015 to 31st December 2015 and RMB234,123 (equivalent to approximately US$37,762) per month for the period from 1st January 2016 to 31st December 2017 The Second Property RMB8,250 (equivalent to approximately US$1,331) per month for the period from 1st August 2015 to 31st December 2015 and RMB8,700 (equivalent to approximately US$1,403) per month for the period from 1st January 2016 to 31st December 2017 (subject to actual measurement of total rentable space)	US$143,000	Nil

CONNECTED TRANSACTIONS (CONTINUED)

(12) Transaction with Nanjing Wally Electronics Technology Co., Ltd. and its associates (the "Nanjing Wally Group")

The following transactions between the Group and the Nanjing Wally Group (a non-wholly owned subsidiary of Nanjing Huadong Electronics Information & Technology Co., Ltd., whose A-shares are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000727) and a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the Circular to shareholders dated 9th October 2015 (the "October 2015 Circular")).

At the special general meeting of shareholders held on 2nd November 2015, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	15th September 2015	The NW Procurement Agreement 15th September 2015–31st December 2017	TVI and Nanjing Wally Electronics Technology Co., Ltd., a non-wholly owned subsidiary of CEC	The purchase of Products (including touch modules and related components, as defined in the October 2015 Circular) by the Group from the Nanjing Wally Group under the Procurement Agreement	The procurement of the Products by the TVI Group from the Nanjing Wally Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the Products. Pursuant to the NW Procurement Agreement, the pricing and payment terms of the Products shall be negotiated on an arm's length basis between the parties to the NW Procurement Agreement and the pricing shall be determined based on normal commercial terms with reference to the cost of the raw materials and core components, prevailing market prices of the Products that are fair and reasonable and subject to tendering process. In any event the pricing and payment terms of the Products provided by the Nanjing Wally Group shall be no less favourable to the TVI Group than those offered by independent third party vendors.	US$14,649,000	US$15,700,000 (Note 1)

CONNECTED TRANSACTIONS (CONTINUED)

(13) Transaction with Huizhou Kaifa Technology Co., Ltd. and its associates (the "Huizhou Kaifa Group")

The following transactions between the Group and the Huizhou Kaifa Group (a wholly owned subsidiary of Shenzhen Kaifa Technology Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000021) and a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the Circular to shareholders dated 9th October 2015 (the "October 2015 Circular")).

At the special general meeting of shareholders held on 2nd November 2015, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2015 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	15th September 2015	The HK Procurement Agreement 15th September 2015–31st December 2017	TVI and Huizhou Kaifa Technology Co., Ltd., a non-wholly owned subsidiary of CEC	The purchase of Products (including touch modules and related components as defined in the October 2015 Circular) by the Group from the Huizhou Kaifa Group under the Procurement Agreement	The procurement of the Products by the TVI Group from the Huizhou Kaifa Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the Products. Pursuant to the HK Procurement Agreement, the pricing and payment terms of the Products shall be negotiated on an arm's length basis between the parties to the HK Procurement Agreement and the pricing shall be determined based on normal commercial terms with reference to the cost of the raw materials and core components, prevailing market prices of the Products that are fair and reasonable and subject to tendering process. In any event the pricing and payment terms of the Products provided by the Huizhou Kaifa Group shall be no less favourable to the TVI Group than those offered by independent third party vendors.	US$2,000	US$15,700,000 (Note 1)

Note 1: The aggregate annual cap of the NW Procurement Agreement & the HK Procurement Agreement for the year ended 31st December 2015 is US$15,700,000.

(14) Acquisition of Shenzhen Sang Fei Consumer Communications Co., Ltd. ("Sang Fei")

Reference is made to the announcement of the Company dated 5th June 2015. On 5th June 2015, TVI and Top Victory Electronics (Fuqing) Co., Ltd. (together the Purchasers), both being wholly-owned subsidiary of the Company, and SZSED, Sang Fei (BVI) Limited, and China CEC International Information Service Co., Ltd. (together the Vendors) entered into a sales and purchase agreement pursuant to which the Purchasers agreed to acquire and the Vendors agreed to sell the entire issued share capital of Sang Fei, a mobile communication enterprise that is known for producing the Philips branded mobile phones serving local and overseas demands. The consideration was RMB45 million (equivalent to approximately US$7 million). The acquisition was completed on 31st August 2015. It is expected that the Group can benefit from this acquisition by leveraging its core competencies in manufacturing and research and development of TVs and PC monitors to the areas of mobility and connectivity, which offer increasing opportunities.

All of the Vendors are associates of CEC, the ultimate controlling shareholder of the Company. As such, the Vendors are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly this acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. More details of the acquisition are also set out in Note 40 to the consolidated financial statements.

CONNECTED TRANSACTIONS (CONTINUED)

The continuing connected transactions as set out in notes (1) to (13) have been reviewed by the board of directors, including the independent non-executive directors, who are of the opinion that the transactions were (i) in the ordinary and usual course of business of the Group; (ii) conducted in accordance with the respective agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) on terms no less favourable than those available to or from independent third parties; and (iv) the aggregate amount of each class of the continuing connected transactions for the financial year ended 31st December 2015 has not exceeded their respective annual caps.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter and reported that in respect of the continuing connected transactions in notes (1) to (13) on pages 23–32 ("disclosed continuing connected transactions"):

(a) nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(b) for transactions involving the provision of goods or services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(c) nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in Note 42 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director.

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 17th March 2016

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

During the financial year of 2015, 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, A.4.1 and A.6.7 of the CG Code, the reasons for which are explained below.

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

THE BOARD

The Board is responsible for the leadership and control of the Company, and it oversees the Group's businesses, strategic decisions and performance. The Board has delegated authority and functions for managing the Group's day-to-day business to its management. In addition, the Board has delegated various functions to Board committees. Further details of these committees are set out in this report.

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

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

Chairman and Chief Executive Officer

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

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

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

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

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

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

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

Re-Election of Directors

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

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

THE BOARD (CONTINUED)

BOARD COMPOSITION

During the year and up to the date of this report, the Board consisted of one executive director, namely Dr Hsuan, Jason (Chairman), five non-executive directors, namely Mr Liu Liehong, Ms Wu Qun, Dr Li Jun, Ms Bi Xianghui (appointed on 20th August 2015), Mr Hideki Noda and Mr Du Heping (resigned on 20th August 2015), and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung. Independent non-executive directors constitute one-third of the Board and non-executive directors constitute more than half of the board.

Brief biographical particulars of the directors, together with information regarding the relationship among them, are set out in the Report of the Directors. Their mix of professional skills and experience is an important element in the proper functioning of the Board in ensuring a high standard of objective debate and overall input in the decision-making process.

Apart from annual confirmations of independence, which were made by the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, the Company also received quarterly confirmations of independence from these directors. The Board assessed the independence of the independent non-executive directors, and considered that all of them are independent within the definition of the Listing Rules.

RESPONSIBILITIES OF DIRECTORS

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. Apart from attending the schedule meetings which were fixed before the beginning of 2015, all Directors used their best endeavours to attend ad-hoc meetings, even on short notice, or participate by audio and video link.

The Board holds four regular meetings a year, at quarterly intervals, and it also meets as and when required in between them. The dates of the regular meetings are scheduled during the preceding year, in order to give all the directors sufficient notice to allow them to attend. The Board held four meetings during 2015. The attendance of individual directors at these meetings is as follows:

Name of director	Attendances/Number of Board meetings held during the director's term of office in 2015
Executive Director	
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	4/4
Non-executive Directors	
Mr Liu Liehong	2/4
Ms Wu Qun	4/4
Dr Li Jun	4/4
Ms Bi Xianghui (appointed 20th August 2015)	2/2
Mr Hideki Noda	3/4
Mr Du Heping (resigned on 20th August 2015)	2/2
Independent Non-executive Directors	
Mr Chan Boon Teong	4/4
Dr Ku Chia-Tai	4/4
Mr Wong Chi Keung	4/4

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

The independent non-executive directors take an active role in Board meetings, and they make sound judgments on issues of strategy, policy, performance, accountability, resources and standards of conduct. They take the lead when potential conflicts of interest arise. They are also core members of the Company's Board committees.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

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

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed director is enabled to have a proper understanding of the operations and businesses of the Group and full awareness of his or her responsibilities and ongoing obligation under the Listing Rules, applicable legal requirements, and other regulatory requirements, as well as the Company's corporate governance policies. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company has arranged a 9-day site visit in Europe in July 2015 and a 3-day site visit in Xiamen in October 2015 for the directors to understand our operations in Europe and the Innovation and Development Centre in Xiamen. The Company has also arranged a presentation and reference materials regarding Risk Management and Internal Control and Environmental, Social and Governance Reporting for the directors to overview the key proposed changes in major governance areas.

According to the records provided by the directors, a summary of training received by the directors during 2015 is as follows:

Name of director	Type of continuous professional development programmes
Executive Director	
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	A, B, C, D
Non-executive Directors	
Mr Liu Liehong	A, B, C, D
Ms Wu Qun	A, B, C, D
Dr Li Jun	A, B, C, D
Ms Bi Xianghui (appointed on 20th August 2015)	B, C, D
Mr Hideki Noda	B, C, D
Mr Du Heping (resigned on 20th August 2015)	C, D
Independent Non-executive Directors	
Mr Chan Boon Teong	A, B, C, D
Dr Ku Chia-Tai	A, B, C, D
Mr Wong Chi Keung	A, B, C, D

A: Site visit in Europe
B: Site visit in Xiamen
C: Reading newspapers, journals and updates relating to the economy, general business, director's duties and responsibilities, updates on Risk Management and Internal Control or updates on Environmental, Social and Governance Reporting
D: Attending seminars and/or conferences

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiries have been made with all the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the year ended 31st December 2015.

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.

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to its management; and its division heads are responsible for various aspects of the business.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of quarterly results, interim and annual reports and announcements for the Board's approval prior to publication, execution of the business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

SUPPLY OF AND ACCESS TO INFORMATION

The chairman and chief executive officer periodically present the Group's updated strategies and objectives at Board meetings, to ensure that all directors are aware of the targets the Group has achieved.

The management is obliged to supply the Board and its committees with adequate information in a timely manner, so as to enable them to make informed decisions. If any director requires more information than is supplied by the management, he or she will have separate and independent access to the company secretary and management in order to make further enquires, if necessary.

All directors are entitled to access to Board papers, minutes and relevant materials.

ACCOUNTABILITY AND AUDIT

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

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

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

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

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

BOARD COMMITTEES

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

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 is responsible for providing the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

AUDIT COMMITTEE (CONTINUED)

All members of the Audit Committee are independent non-executive directors. Between them, they possess a wealth of management experience in the financial, accounting, commercial, industrial, real-estate and telecommunication sectors. The Committee is chaired by Mr Chan Boon Teong, and its other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. Mr Wong Chi Keung is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. The Committee held five meetings in 2015. The attendance of its individual members at these meetings is as follows:

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

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

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

— Reviewing and recommending the annual financial statements for the year ended 31st December 2015;

— Reviewing and recommending the interim financial statements for the six months ended 30th June 2015;

— Reviewing and recommending the quarterly results;

— Reviewing the accounting policies adopted by the Group;

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

— Reviewing and approving internal audit reports and the system of internal control, and discussing these subjects with the management;

— Reviewing and approving the internal audit plan for 2016;

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

— Reviewing the engagement of external auditors to provide non-audit services with reference to the Group's policies;

— Monitoring any possible areas of fraud and illegal risk;

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

— Reviewing information disclosure policy of the Group; and

— Having meetings with external consultants to discuss new corporate governance requirements.

The minutes of Audit Committee meetings are kept by the company secretary. Draft and final versions of the minutes of Audit Committee meetings are sent to all its members for their comment and records, respectively.

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.

AUDIT COMMITTEE (CONTINUED)

The Board agreed with the Audit Committee's proposal to re-appoint PricewaterhouseCoopers as the Company's external auditor for the year 2016. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 19th May 2016.

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

AUDITORS' REMUNERATION

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

Services rendered	**Fee paid/payable US$'000**
Audit service	3,858
Non-audit services	
— Tax compliance	602
— Tax consulting	268
— Other	337
	5,065

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

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

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

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

Corporate Governance Report

NOMINATION COMMITTEE (CONTINUED)

The Nomination Committee held two meetings during 2015. The attendance of its individual members at the meeting is as follows:

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

During the year, the Nomination Committee has (i) reviewed the current structure and composition of the Board; (ii) reviewed and recommended the Board Diversity Policy; and (iii) reviewed and recommended change of directors to the Board.

Subsequent to the financial year ended 31st December 2015 and up to the date of this report, a meeting of Nomination Committee was held on 17th March 2016 to review the re-appointment of Dr Hsuan, Jason, Ms Wu Qun, Dr Li Jun and Ms Bi Xianghui as directors of the Company at the Annual General Meeting.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognizes that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of services. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Nomination Committee has set measurable objectives based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service to implement the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises nine directors. Three of them are independent non-executive directors, thereby promoting critical review and control of the management process. New directors of the Company will be appointed by the Board. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

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.

REMUNERATION COMMITTEE (CONTINUED)

It is chaired by Mr Chan Boon Teong, an independent non-executive director who also serves as chairman of the Audit Committee. The other members include Dr Ku Chia-Tai and Mr Wong Chi Keung, both of whom are independent non-executive directors of the Company, Dr Hsuan, Jason, the chairman and chief executive officer of the Company and Ms Bi Xianghui (who was appointed on 19th November 2015), a non-executive director of the Company. The Remuneration Committee held three meetings during 2015. The attendance of individual members at Remuneration Committee meetings is as follows:

Name of director	Number of attendances
Mr Chan Boon Teong *(chairman of the Remuneration Committee)*	3/3
Dr Ku Chia-Tai	3/3
Mr Wong Chi Keung	3/3
Dr Hsuan, Jason	3/3
Ms Bi Xianghui (appointed on 19th November 2015)	1/1
Dr Li Jun (resigned on 19th November 2015)	2/2

During its meetings, the Remuneration Committee discussed and reviewed the remuneration policy and structure regarding the senior management and other employees of the Group in 2015 and the remuneration budget for 2016. The Remuneration Committee also reviewed and approved the remuneration packages of individual executive director and senior management with reference to their performance. To avoid conflicts of interest, the directors' fees of independent non-executive directors were discussed and approved by the Board and the independent non-executive directors have abstained from voting in this regard.

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

Details of the directors' and senior management's emoluments are set out in Note 9 and 44 to the consolidated financial statements; and details of the Option Scheme and the director's interest in share options are set out in the Report of the Directors.

The Remuneration Committee has the right to seek any information it considers necessary to fulfill its duties, including the right to obtain appropriate external advice at the Company's expense. The Company provides the Remuneration Committee with sufficient resources to discharge its duties.

INVESTMENT COMMITTEE

The Company has established the Investment Committee with specific written terms of reference. The terms of reference of the Investment Committee adopted by the Board are published on the websites of the Company, the Exchange and SGX.

The Investment Committee is responsible for reviewing the investment evaluation policies, evaluating investment proposals and making recommendations to the Board. It also reviews and reports to the Board the performance, forecast and business plan of the investments on a regular basis.

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

INVESTMENT COMMITTEE (CONTINUED)

The Investment Committee shall meet as and when required, but in any event at least quarterly. The Investment Committee held four meetings during 2015. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Investment Committee)*	4/4
Ms Wu Qun	4/4
Dr Li Jun	4/4
Mr Hideki Noda	4/4
Mr Chan Boon Teong	4/4

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

INFORMATION DISCLOSURE COMMITTEE

The Company has established the Information Disclosure Committee 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 the Company or make any disclosure decision as delegated by the Board.

The Company has put in place a robust framework for the disclosure of inside information in compliance with the SFO. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow the shareholders, customers, staff and other stakeholders to apprehend the latest position of the Company and its subsidiaries. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

It is chaired by Dr Jason Hsuan, the chairman and chief executive officer of the Company and the other members include Ms Bi Xianghui (who was appointed on 20th August 2015) 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 senior vice president and chief financial officer of the Company.

The Information Disclosure Committee held two meetings in 2015. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Information Disclosure Committee)*	2/2
Ms Bi Xianghui (appointed on 20th August 2015)	1/1
Mr Hideki Noda	2/2
Mr Chan Boon Teong	2/2
Mr Shane Tyau	2/2
Mr Du Heping (resigned on 20th August 2015)	1/1

During the year, the Information Disclosure Committee has (i) reviewed the Company's policies and practices on information disclosure; and (ii) considered, reviewed and made decision on disclosure of information which give rise to disclosure obligations as inside information.

INTERNAL CONTROL

The Board has overall responsibility for the Group's internal control system, and for reviewing its effectiveness. The Board is committed to implement an effective and efficient internal control system to safeguard the interests of shareholders and the Group's assets against unauthorised use and disposition, to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and to ensure compliance with applicable laws and regulations. The system of internal controls provides reasonable but not absolute assurance against material errors, losses or frauds. It has been implemented in accordance with an integrated internal control framework established by the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework. Under the framework, the management is responsible for the design, implementation, and maintenance of internal controls, while the Board reviews the effectiveness of the Group's system of internal controls on an ongoing basis through the Group Internal Audit Department.

During the year ended 31st December 2015, the Board and the Audit Committee has reviewed the effectiveness of the Group's internal control system. This covered all material controls, including financial, operational and compliance controls, and risk management functions. The review was conducted in compliance with the CG Code.

INTERNAL AUDIT

The Head of the Group Internal Audit Department reports directly to the Audit Committee and the chairman and chief executive officer, and has direct access to the Board through the chairman of the Audit Committee.

The Group Internal Audit Department carries out audits in accordance with a risk-based audit plan that is reviewed and approved by the Audit Committee. Internal audits are conducted once a year for significant business units and on a rotation basis for other business units. The quarterly internal audit reports are submitted to the Audit Committee for review and approval.

During 2015, the Group Internal Audit Department conducted audits and issued internal audit reports to management covering various operational and finance functions of the Group. The quarterly internal audit reports and audit findings prepared by the Group Internal Audit Department were also reported to the Audit Committee and the chairman and chief executive officer on a quarterly basis. Relevant recommendations reported by the Group Internal Audit Department are implemented by the management to enhance the Group's internal control policies, procedures and practices further.

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

COMPANY SECRETARY

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

VOTING BY POLL

Since May 2005, the chairman of general meetings has voluntarily required poll voting for all resolutions put to those meetings. Separate resolutions on each substantially separate issue, including the election of individual directors, are proposed at general meetings.

Details of the poll voting procedures and the rights of shareholders to demand a poll at general meetings are included in the circular to shareholders despatched together with the Company's annual report. The circular also contains relevant details of resolutions, including an explanatory statement in relation to the general mandate for the repurchase of shares and the biographies of retiring directors who are standing for re-election at annual general meetings.

The poll results are scrutinized by the Company's share registrar and published on the websites of the Company, the Exchange and SGX.

Corporate Governance Report

GENERAL MEETINGS WITH SHAREHOLDERS

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

The Company holds three general meetings during 2015. The 2015 annual general meeting (the "2015 AGM") was held on 21st May 2015. Two other special general meetings were held on 5th February 2015 and 2nd November 2015 respectively. The Company's external auditor has attended the 2015 AGM. The attendance of individual directors at these meetings is as follows:

Name of director	Attendance at general meetings/ Number of general meeting held during the director's term of office in 2015	
	2015 AGM	**SGM**
Executive Director		
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	1/1	2/2
Non-executive Directors		
Mr Liu Liehong	0/1	2/2
Ms Wu Qun	1/1	2/2
Dr Li Jun	1/1	2/2
Ms Bi Xianghui (appointed on 20th August 2015)	0/0	1/1
Mr Hideki Noda	1/1	2/2
Mr Du Heping (resigned on 20th August 2015)	0/1	0/1
Independent Non-executive Directors		
Mr Chan Boon Teong	1/1	2/2
Dr Ku Chia-Tai	1/1	2/2
Mr Wong Chi Keung	1/1	2/2

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

SHAREHOLDERS' RIGHT

Convening a Special General Meeting

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

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

SHAREHOLDERS' RIGHT (CONTINUED)

Procedures for Putting Forward Proposals at General Meetings

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

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

Enquiries to the Board

Shareholders may send their enquiries to the Board of the Company in writing to the following address of the Company or by facsimile number or by access to the Company's website by clicking "Contact Us" on the homepage of the Company's website. The relevant address and facsimile number are as follows:

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

Fax: (852) 2546 8884

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

INVESTOR RELATIONS

Communication with Shareholders and Investors

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

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

The management personnel responsible for investor relations hold regular meetings with the media, equity research analysts, fund managers and investors. The Company also holds 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.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Bye-laws during the financial year 2015. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company, the Exchange and SGX.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF TPV TECHNOLOGY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of TPV Technology Limited (the "Company") and its subsidiaries set out on pages 48 to 132, which comprise the consolidated balance sheet as at 31st December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17th March 2016

Consolidated Income Statement

For the year ended 31st December 2015

	Note	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Revenue	5	**11,061,525**	11,908,077
Cost of sales		**(10,190,037)**	(10,894,537)
Gross profit		**871,488**	1,013,540
Other income	6	**60,255**	120,350
Other losses, net	7	**(34,244)**	(70,336)
Selling and distribution expenses		**(428,135)**	(529,108)
Administrative expenses		**(195,710)**	(212,754)
Research and development expenses		**(214,674)**	(272,080)
Operating profit	8	**58,980**	49,612
Finance income	10	**7,365**	7,874
Finance costs	10	**(59,164)**	(72,101)
Finance costs, net	10	**(51,799)**	(64,227)
Share of profits/(losses) of:			
Associates	19	**7,117**	5,553
Joint venture	20	**(3)**	(672)
Profit/(loss) before income tax		**14,295**	(9,734)
Income tax expense	11	**(44,983)**	(42,936)
Loss for the year		**(30,688)**	(52,670)
Profit/(loss) attributable to:			
Owners of the Company		**(31,337)**	(5,460)
Non-controlling interests		**649**	(47,210)
		(30,688)	(52,670)
Loss per share attributable to owners of the Company			
— Basic and diluted	12	**(US1.34) cents**	(US0.23) cent
Dividends	13	**3,002**	3,002

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2015

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Loss for the year	**(30,688)**	(52,670)
Other comprehensive income/(loss), net of tax		
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets (Note 21)	**3**	479
Currency translation differences	**(19,106)**	7,268
Items that will not be reclassified subsequently to profit or loss		
Revaluation gains on investment properties transferred from property, plant and equipment and land use rights, net of tax (Note 17)	**—**	3,383
Remeasurement of pension obligations, net of tax (Note 31)	**815**	(7,185)
Other comprehensive (loss)/income for the year, net of tax	**(18,288)**	3,945
Total comprehensive loss for the year	**(48,976)**	(48,725)
Attributable to:		
— Owners of the Company	**(49,441)**	1,457
— Non-controlling interests	**465**	(50,182)
	(48,976)	(48,725)

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

Consolidated Balance Sheet

As at 31st December 2015

	Note	As at 31st December 2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Assets			
Non-current assets			
Intangible assets	14	**448,849**	454,765
Property, plant and equipment	15	**554,257**	609,742
Land use rights	16	**19,718**	20,565
Investment properties	17	**198,241**	188,087
Investments in associates	19	**61,237**	62,119
Investment in a joint venture	20	**1,349**	1,352
Derivative financial instruments	34	**63,161**	52,617
Available-for-sale financial assets	21	**4,758**	6,219
Financial assets at fair value through profit or loss	24	**21,560**	22,557
Deferred income tax assets	30	**77,958**	84,338
Prepayments and other assets	23	**76,547**	106,066
Long-term bank deposits	25	**40,892**	11,407
		1,568,527	1,619,834
Current assets			
Inventories	22	**1,284,391**	1,443,454
Trade receivables	23	**2,098,651**	2,158,577
Deposits, prepayments and other receivables	23	**291,098**	622,249
Financial assets at fair value through profit or loss	24	**59,129**	2,177
Current income tax recoverable		**5,833**	11,534
Derivative financial instruments	34	**170,325**	89,100
Pledged bank deposits	25	**3,670**	3,961
Short-term bank deposits	25	**32,643**	10,002
Cash and cash equivalents	25	**417,312**	492,250
		4,363,052	4,833,304
Total assets		**5,931,579**	6,453,138
Equity			
Equity attributable to owners of the Company			
Share capital	26	**23,456**	23,456
Other reserves	28	**1,600,121**	1,649,125
		1,623,577	1,672,581
Non-controlling interests		**6,530**	(8,188)
Total equity		**1,630,107**	1,664,393

	Note	As at 31st December 2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Liabilities			
Non-current liabilities			
Borrowings and loans	29	**441,081**	187,836
Deferred income tax liabilities	30	**35,180**	26,246
Pension obligations	31	**20,652**	21,266
Other payables and accruals	32	**49,129**	83,441
Derivative financial instruments	34	**44,834**	42,307
Provisions	33	**2,583**	2,418
		593,459	363,514
Current liabilities			
Trade payables	32	**2,215,034**	2,519,854
Other payables and accruals	32	**1,043,571**	1,383,545
Current income tax liabilities		**21,097**	44,047
Provisions	33	**153,774**	123,798
Derivative financial instruments	34	**128,572**	53,303
Borrowings and loans	29	**145,965**	300,684
		3,708,013	4,425,231
Total liabilities		**4,301,472**	4,788,745
Total equity and liabilities		**5,931,579**	6,453,138

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

The consolidated financial statements were approved by the Board of Directors on 17th March 2016 and were signed on its behalf.

Dr Hsuan, Jason
Director

Ms Wu Qun
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2015

	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 1st January 2015 (Previously stated)	**23,456**	**1,654,894**	**(8,188)**	**1,670,162**
Common control business combination (Note 40)	**—**	**(5,769)**	**—**	**(5,769)**
Balance as at 1st January 2015 (Restated — Note 2.2)	**23,456**	**1,649,125**	**(8,188)**	**1,664,393**
Comprehensive (loss)/income				
(Loss)/profit for the year	**—**	**(31,337)**	**649**	**(30,688)**
Other comprehensive income/(loss) for the year, net of tax				
Fair value gains on available-for-sale financial assets (Note 21)	**—**	**3**	**—**	**3**
Remeasurement of pension obligations, net of tax (Note 31)	**—**	**815**	**—**	**815**
Currency translation differences				
— Group	**—**	**(15,908)**	**(184)**	**(16,092)**
— Associates and a joint venture	**—**	**(3,014)**	**—**	**(3,014)**
Other comprehensive loss for the year, net of tax	**—**	**(18,104)**	**(184)**	**(18,288)**
Total comprehensive (loss)/income for the year	**—**	**(49,441)**	**465**	**(48,976)**
Transactions with owners, recognized directly in equity				
Common control business combination (Note 40)	**—**	**3,062**	**—**	**3,062**
Employee share option scheme:				
— Employee share-based compensation benefits	**—**	**26**	**—**	**26**
2014 final dividends paid	**—**	**(3,002)**	**—**	**(3,002)**
Capital transaction with non-controlling interest	**—**	**351**	**(3,449)**	**(3,098)**
Disposal of a subsidiary (Note 39)	**—**	**—**	**6,670**	**6,670**
Capital injection from non-controlling interest	**—**	**—**	**11,248**	**11,248**
Dividend to non-controlling interest	**—**	**—**	**(216)**	**(216)**
Total transactions with owners, recognized directly in equity	**—**	**437**	**14,253**	**14,690**
Balance as at 31st December 2015	**23,456**	**1,600,121**	**6,530**	**1,630,107**

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

	Restated — Note 2.2			
	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 1st January 2014 (Previously stated)	23,456	1,743,670	(69,096)	1,698,030
Common control business combination	—	35,005	—	35,005
Balance as at 1st January 2014 (Restated — Note 2.2)	23,456	1,778,675	(69,096)	1,733,035
Comprehensive (loss)/income				
Loss for the year	—	(5,460)	(47,210)	(52,670)
Other comprehensive income/(loss) for the year, net of tax				
Revaluation gains on investment properties transferred from property, plant and equipment and land use rights, net of tax (Note 17)	—	3,383	—	3,383
Fair value gains on available-for-sale financial assets (Note 21)	—	479	—	479
Remeasurement of pension obligations, net of tax (Note 31)	—	(7,185)	—	(7,185)
Currency translation differences				
— Group	—	10,852	(2,972)	7,880
— Associates and a joint venture	—	(612)	—	(612)
Other comprehensive income/(loss) for the year, net of tax	—	6,917	(2,972)	3,945
Total comprehensive income/(loss) for the year	—	1,457	(50,182)	(48,725)
Transactions with owners, recognized directly in equity				
Employee share option scheme:				
— Employee share-based compensation benefits	—	418	—	418
2013 final dividends paid	—	(3,002)	—	(3,002)
Capital transaction with non-controlling interest	—	(128,423)	111,090	(17,333)
Total transactions with owners, recognized directly in equity	—	(131,007)	111,090	(19,917)
Balance as at 31st December 2014 (Restated — Note 2.2)	23,456	1,649,125	(8,188)	1,664,393

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

Consolidated Statement of Cash Flows

For the year ended 31st December 2015

	Note	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Cash flows from operating activities			
Net cash generated from operations	36	**248,397**	180,524
Interest paid		**(43,045)**	(35,187)
Income tax paid		**(54,302)**	(38,290)
Net cash generated from operating activities		**151,050**	107,047
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment and land use rights	36	**60,075**	36,054
Proceeds from disposal of available-for-sales financial assets		**1,118**	—
Purchase of property, plant and equipment and investment properties		**(149,791)**	(194,347)
Purchase of intangible assets		**(13,256)**	(13,293)
Purchase of available-for-sale financial assets		**(1,103)**	(2,662)
Proceeds from disposals of financial assets at fair value through profit or loss		**44,892**	9,019
Purchase of financial assets at fair value through profit or loss		**(101,914)**	(18,133)
Interest received		**7,365**	7,874
Changes in short-term bank deposits		**(24,449)**	(8,372)
Inception of long-term bank deposits		**(29,485)**	(11,407)
Cash outflows arising from disposal of subsidiary	39	**(17,743)**	—
Purchase of interest in a subsidiary from its non-controlling interest		**(3,098)**	—
Consideration paid for acquisition of business under common control	40	**(7,025)**	—
Proceeds received for net assets value shortfall from original shareholders arising from acquisition of business under common control	40	**10,087**	—
Dividends received from an associate		**4,985**	—
Net cash used in investing activities		**(219,342)**	(195,267)
Cash flows from financing activities			
Inception of long-term borrowings and loans		**284,191**	160,081
Repayment of long-term borrowings and loans		**(151,616)**	(12,139)
Net inception/(repayment) of short-term borrowings and loans		**21,886**	(113,681)
Net (payment)/proceeds of payables under discounting arrangements		**(155,920)**	242,298
Repayment of notes payable		**—**	(83,244)
Dividends paid to owners of the Company		**(3,002)**	(3,002)
Dividends paid to non-controlling interests		**(216)**	—
Contribution to a subsidiary from its non-controlling interests		**11,248**	—
Net cash generated from financing activities		**6,571**	190,313
Net (decrease)/increase in cash and cash equivalents		**(61,721)**	102,093
Cash and cash equivalents at beginning of the year		**492,250**	406,256
Currency translation differences		**(13,217)**	(16,099)
Cash and cash equivalents at end of the year	25	**417,312**	492,250

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") design, manufacture and sell computer monitors, flat TV products and other display 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 Stock Exchange of Hong Kong Limited (the "Exchange") and secondary listing on Singapore Exchange Limited.

These financial statements are presented in US dollars, unless otherwise stated. These financial statements have been approved for issue by the board of directors on 17th March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), contingent consideration payable and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

For the year ended 31st December 2015, the Group's loss amounted to US$30,688,000. Following consideration of the Group's net current assets position of US$655,039,000 as at 31st December 2015 and cash flow projection, 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 statements for the year ended 31st December 2015 as appropriate.

Cash and bank balances are disaggregated on the consolidated balance sheet into 'short-term bank deposits' and 'cash and cash equivalents'. Comparative information are amended to align the presentation.

On 31st August 2015, the Group acquired the entire issued shares of Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei"), of which China Electronics Corporations ("CEC") is the ultimate holding company. The acquisition of Sang Fei and its subsidiaries (collectively "Sang Fei Group") is considered as a business combination under common control, which is accounted for using merger accounting method in accordance with the guidance set out in Accounting Guideline 5 'Merger accounting for common control combinations' issued by HKICPA. The comparative amounts in the consolidated financial statements are restated. The details of the merger accounting restatement are set out in Note 40.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New standards and amendments to standards adopted by the Group

The following amendments to standards and annual improvements are mandatory for the first time for the financial year beginning 1st January 2015 and currently relevant to the Group:

Amendment to HKAS 19, 'Employee benefits on defined benefit plans', this narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

'Annual improvements 2012', these amendments include changes from the 2010–2012 cycle of the annual improvements project that affect the below standards:

(i) HKFRS 8, 'Operating segments', the standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

(ii) HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets', both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

(iii) HKAS 24, 'Related party disclosures', the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

'Annual improvements 2013', the amendments include changes from the 2011–2013 cycle of the annual improvements project that affect the below standards:

(i) HKFRS 3, 'Business combinations', it clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

(ii) HKFRS 13, 'Fair value measurement', it clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

(iii) HKAS 40, 'Investment property', it clarifies the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

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 the financial year beginning on or after 1st January 2015 that are expected to have a material impact on the Group.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) New standards, amendments to standards and annual improvements that have been issued but not yet effective and have not been early adopted by the Group

The following new standards, amendments to standards and annual improvements relevant to the Group have been issued but are not yet effective for the financial year beginning 1st January 2015 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 9, 'Financial instruments'	1st January 2018
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, 'Investments entities applying the consolidation exception'	1st January 2016
Amendments to HKFRS 10 and HKAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	Note
Amendment to HKFRS 11, 'Accounting for acquisitions of interests in joint operations'	1st January 2016
HKFRS 14, 'Regulatory deferral accounts'	1st January 2016
HKFRS 15, 'Revenue from contracts with customers'	1st January 2018
Amendments to HKAS 1, 'The disclosure initiative'	1st January 2016
Amendments to HKAS 16 and HKAS 38, 'Clarification of acceptable methods of depreciation and amortization'	1st January 2016
Amendments to HKAS 16 and HKAS 41, 'Agriculture: Bearer plants'	1st January 2016
Amendment to HKAS 27, 'Equity method in separate financial statements'	1st January 2016
Annual improvements to HKFRSs-2012–2014 cycle	1st January 2016

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 improvements when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Common control business combinations

Merger accounting method stipulated under Hong Kong Accounting Guideline 5, 'Merger accounting for common control combinations' is used to account for acquisitions of businesses under common control before and after the acquisitions. The difference between fair value of acquisition consideration and carrying amount of net assets acquired is adjusted to merger reserve.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquired identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Common control business combinations (Continued)

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if those entities or businesses had been combined at the previous reporting date or when they first came under common control, whichever is shorter.

Business combination related costs are generally recognized in consolidated income statement as incurred.

(b) Non-common control business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized within 'other losses, net' in the consolidated income statement.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement (Note 2.10).

Intra-company transactions, balances and unrealized gains/losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

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

Gains and losses on dilution of equity interest in associates are recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman and Chief Executive Officer of the Company that makes strategic decisions.

Geographically, the chief operating decision maker, considers the PRC, Europe, North and South America and others as separate segments.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the US dollars (US$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

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

Changes in the fair value of debt securities denominated in foreign currency classified as available-for-sale financial assets are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

2.7 Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over remaining lease of 30–50 years
Buildings	20 years
Leasehold improvements	20 years
Machinery and equipment	5 to 10 years
Moulds	1 to 2 years
Electrical appliances and equipment	3 to 5 years
Transportation equipment	3 to 5 years
Furniture, fixtures and miscellaneous equipment	1 to 5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other losses, net' in the consolidated income statement.

2.8 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.7 above.

2.9 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each financial year end by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in 'other losses, net'.

Investment properties are derecognized either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

If the land use rights and the attached properties for own-use become an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of the land use rights and the attached properties under HKAS 16. Any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity upon the subsequent disposal of the investment properties.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (Continued)

(b) Trademarks and patents

Separately acquired trademarks and patents are shown at historical cost. Trademarks and patents acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and patents have a useful life and are carried at cost less accumulated amortization and accumulated impairment. Amortization is calculated using the straight-line method to allocate the cost of trademarks and patents over their estimated useful lives (no more than 15 years).

(c) Software

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized using the straight-line method over the license period or their estimated useful lives of 3 to 5 years.

(d) Other intangible assets

Other intangible assets, other than goodwill represent mainly contractual customer relationships. These intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives of no more than 3 years.

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'prepayments and other assets', 'trade receivables', 'deposits, prepayments and other receivables', 'cash and cash equivalents, and long-term and short-term bank deposits with original maturities over 3 months in the consolidated balance sheet (Notes 2.17 and 2.18).

(c) Available-for-sale financial assets

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

2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other losses, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are transferred to the consolidated income statement as 'other losses, net'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts are reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognized immediately in the consolidated income statement within 'other losses, net'.

2.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.18 Cash and bank balances

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank deposits with original maturities of less than 3 months, but excludes pledged bank deposits, bank overdrafts and short-term bank deposits with original maturities over 3 months. In the consolidated balance sheet, bank overdrafts are shown within 'borrowings and loans' in current liabilities.

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, other payables and accruals are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Borrowings and loans

Borrowings and loans are recognized initially at fair value, net of transaction costs incurred. Borrowings and loans are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statements over the period of the borrowings and loans using the effective interest method.

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

Borrowings and loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

For the investment properties which are carried at fair values and are held outside Hong Kong with a business model to consume substantially all the economic benefits embodied in the properties over time, rather than through sale, the presumption that investment properties being recovered entirely by sale is rebutted. The related deferred income tax is measured based on the expected manner of realization.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint arrangements. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associates' or joint arrangements' undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits

The Group operates various pension schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans in the PRC, Hong Kong, Taiwan and overseas countries.

(a) Pension obligations

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

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

The current service cost of the defined benefit plans, recognized in the consolidated income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee services in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in consolidated income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as 'employee benefit expense' when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.23 Employee benefits (Continued)

(d) Employee leave entitlements

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

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

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Social security contributions on share options gains

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions mainly comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provision for warranties is provided based on management's estimates of the repair costs per unit of product sold in the relevant years and is calculated based on historical experience of the level of repairs and replacements. Actual warranty expenditure is charged against the provision as incurred.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as unwinding of interests within 'finance costs, net' in the consolidated income statement.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and primarily represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognized when the risk and rewards of the goods have been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligations that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales return at the time of sale.

(b) Rental income

Operating lease rental income from investment property is recognized in the consolidated income statement on a straight-line basis over the terms of lease.

(c) Brand promotion fee income

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

2.27 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

2.28 Dividend income

Dividend income is recognized when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Government grants

Government grants are subsidies on export of computer monitors and flat TV products and economic assistance on certain projects provided by governments.

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

2.30 Research and development costs

Research costs are expensed as incurred.

Development costs are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development expenditures that do not meet these criteria are expensed when incurred. Where research phase and development phase of projects to create the intangible asset are indistinguishable, expenditures incurred are expensed off as if they were incurred in the research phase only.

2.31 Borrowing costs

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

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

All other borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

2.32 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payments made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognize liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognized in the consolidated income statement immediately.

2.34 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Brazilian real, Euro, Russian ruble and Argentine peso. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Moreover, the conversion of Renminbi, Brazilian real, Russian ruble and Argentine peso into foreign currencies is subject to the rules and regulations of exchange control promulgated by the respective governments.

Management has set up a policy requiring 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 derivatives contracts to manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The table below summaries the changes in the Group's profit or loss in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The analysis has been determined assuming that the depreciation trend in foreign exchange rates against US$ had occurred at the balance sheet date, and that all other variables remain constant. The potential effects on profit or loss include the impacts from translation on assets or liabilities recognized, which are not denominated in functional currency of respective group company, and fair value changes in outstanding derivative as at the balance sheet date (as set out in Note 34). The fair value of derivatives were projected based on actual fair values change resulted from actual foreign exchange rate changes subsequent to the balance sheet date. Management considered the terms of these derivatives include non-linearity relationship with the hypothetical changes in foreign exchange rates, therefore the projected effects arising from derivatives fair value change might be different from the actual outcome.

	2015		2014 (Restated — Note 2.2)	
In US$'000	**Hypothetical change in foreign exchange rate**	**Positive/(negative) effect on profit or loss**	Hypothetical change in foreign exchange rate	Positive/(negative) effect on profit or loss
Renminbi	**3%**	**(26,638)**	1%	(2,973)
Euro	**1%**	**(2,791)**	20%	(73,102)
Brazilian real	**10%**	**(19,890)**	20%	(14,914)
Russian ruble	**30%**	**(5,634)**	5%	(3,367)
Argentine peso	**35%**	**(12,950)**	3%	(1,674)

(ii) Price risk

The Group's investments in equity securities classified as available-for-sale or at fair value through profit or loss are exposed to price risk. The Group maintains these equity securities investments both for trading and long-term strategic purposes.

The Group's investments in equity securities which are publicly traded are listed in Taiwan Stock Exchange and Buenos Aires Stock Exchange. The fair value is determined with reference to quoted market prices. For the Group's investments that are not publicly traded, management exercises their judgment to select a variety of methods to determine their fair value and make assumptions that are mainly based on market conditions existing at the reporting date (Note 3.3).

As at 31st December 2015 and 2014, if the Argentine equity indexes had been 500 basis points fluctuated with all variables held constant, the Group's post-tax loss for the year would have been affected by US$2,841,000 (2014: US$Nil).

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets except for cash at bank, bank deposits and cash placed in escrow account for certain customer care obligation, which earn low interest income. The Group's exposures to changes in interest rates are mainly attributable to its borrowings and loans. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Details of the Group's borrowings have been disclosed in Note 29.

As at 31st December 2015, if interest rates on borrowings and loans had been 50 basis points fluctuated with all other variables held constant, the Group's post-tax loss for the year would have been affected by US$2,258,000 (2014: US$1,097,000), mainly as a result of fluctuation on interest expenses borrowings and loans which bears floating interest rate.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk mainly arises from derivative financial instruments and cash deposits with banks and financial institutions, as well as credit exposures to customers and debtors, including outstanding trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis. The Group also uses trade receivables factoring facilities to manage the credit risk of its trade debtors. As at 31st December 2015, trade receivables of approximately US$250,667,000 (2014: US$308,143,000) was subject to non-recourse factoring arrangements. Correspondingly, an amount of US$15,091,000 (2014: US$19,381,000) due from four (2014: five) financial institutions is included in 'deposits, prepayments and other receivables' under non-recourse factoring arrangement; while no trade receivables was subjected to recourse factoring arrangement in 2015 and 2014.

As at 31st December 2015 and 2014, majority of the cash and cash at bank, derivative financial instruments and deposits with banks and financial institutions are deposited or traded with financial institutions with investment grade credit rating.

The Group has put in place policies to ensure that sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. With regard to the ageing analysis and relevant credit risk of trade and other receivables, please refer to Note 23. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

The table below shows the gross trade receivable balances of the five major customers aggregated on a global basis at the reporting date.

Counterparties	**2015 US$'000**
Customer B	**275,804**
Customer A	**139,875**
Customer C	**132,185**
Customer D	**102,395**
Customer F	**48,153**
	698,412

Counterparties	2014 US$'000
Customer A	309,801
Customer B	191,885
Customer C	116,823
Customer D	115,903
Customer E	97,912
	832,324

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of banking facilities. The Group aims to maintain flexibility in funding by keeping credit lines available at all time.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed banking facilities (Note 29) 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 reporting date, the Group holds cash and cash equivalents of US$417,312,000 (2014: US$492,250,000) (Note 25), short-term bank deposits of US$32,643,000 (2014: US$10,002,000) long-term bank deposits of US$40,892,000 (2014: US$11,407,000) (Note 25) and trade receivables of US$2,098,651,000 (2014: US$2,158,577,000) (Note 23) that are expected to generate cash inflows for managing liquidity risk. In addition, the Group holds listed equity securities for trading of US$59,129,000 (2014: US$2,177,000) (Note 24), which could be realized to provide a further source of cash if needed.

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

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31st December 2015					
Borrowings and loans	**145,965**	**176,905**	**264,176**	**—**	**587,046**
Interest payments on borrowings and loans	**9,934**	**7,187**	**3,576**	**—**	**20,697**
Trade payables	**2,215,034**	**—**	**—**	**—**	**2,215,034**
Other payables and accruals	**805,147**	**33,864**	**13,500**	**32,092**	**884,603**
Derivative financial instruments	**34,153**	**8,386**	**—**	**—**	**42,539**
At 31st December 2014 (Restated — Note 2.2)					
Borrowings and loans	300,684	30,000	157,836	—	488,520
Interest payments on borrowings and loans	12,434	3,766	1,423	—	17,623
Trade payables	2,519,854	—	—	—	2,519,854
Other payables and accruals	1,105,912	55,794	30,335	41,681	1,233,722
Derivative financial instruments	7,037	2,252	—	—	9,289

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyzes the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31st December 2015				
Foreign exchange forward contracts				
— Inflow	**7,116,010**	**5,097,055**	**—**	**12,213,065**
— Outflow	**7,096,576**	**5,069,107**	**—**	**12,165,683**
At 31st December 2014 (Restated — Note 2.2)				
Foreign exchange forward contracts				
— Inflow	5,657,338	5,483,052	—	11,140,390
— Outflow	5,647,630	5,468,070	—	11,115,700

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for the compliance of certain financial covenants for maintaining the Group's banking facilities, borrowings and loans, the Group is not subject to any externally imposed capital requirements. The Group complied with the financial covenants attached to borrowings and loans as at 31st December 2015.

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

The gearing ratios at 31st December 2015 and 2014 were as follows:

	2015 **US$'000**	2014 US$'000 (Restated — Note 2.2)
Total borrowings and loans (Note 29)	**587,046**	488,520
Payables under discounting arrangement (Note 32)	**364,645**	520,565
Total debts	**951,691**	1,009,085
Total assets	**5,931,579**	6,453,138
Gearing ratio	**16.0%**	15.6%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyzes financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy 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 assets and liabilities that are measured at fair value at 31st December 2015 and 2014. Refer to Note 17 for disclosures of the investment properties that are measured at fair value.

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Available-for-sale financial assets	**789**	**—**	**3,969**	**4,758**
Financial assets at fair value through profit or loss	**59,129**	**—**	**21,560**	**80,689**
Derivative financial instruments	**—**	**233,486**	**—**	**233,486**
	59,918	**233,486**	**25,529**	**318,933**
Liabilities				
Derivative financial instruments	**—**	**(173,406)**	**—**	**(173,406)**
Other payable — contingent consideration payable	**—**	**—**	**(2,504)**	**(2,504)**
	—	**(173,406)**	**(2,504)**	**(175,910)**

	2014			
	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Assets				
Available-for-sale financial assets	1,051	—	5,168	6,219
Financial assets at fair value through profit or loss	2,177	—	22,557	24,734
Derivative financial instruments	—	141,717	—	141,717
	3,228	141,717	27,725	172,670
Liabilities				
Derivative financial instruments (Restated — Note 2.2)	—	(95,610)	—	(95,610)
Other payable — contingent consideration payable	—	—	(4,928)	(4,928)
	—	(95,610)	(4,928)	(100,538)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity securities classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross currency interest rate swap is calculated using forward exchange rates are the balance sheet date and present value of the estimated future cash flows based on observable yield curves.
- The fair value of foreign exchange forward and options contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31st December 2015:

	Available-for-sale financial assets Note (i) US$'000	Financial assets at fair value through profit or loss Note (ii) US$'000	Other payable — contingent consideration payable Note (iii) US$'000
Opening balance	**5,168**	**22,557**	**(4,928)**
Additions	**1,103**	**—**	**—**
Disposals	**(345)**	**—**	**—**
Gain on remeasurement of fair value	**3**	**—**	**3,758**
Unwinding of interests (Note 10)	**—**	**—**	**(941)**
Exchange differences	**(1,960)**	**(997)**	**(393)**
Closing balance	**3,969**	**21,560**	**(2,504)**
Total fair value gain for the year included in consolidated income statement, under 'other losses, net'	**—**	**—**	**3,758**
Total fair value gain for the year included in other comprehensive income	**3**	**—**	**—**

The following table presents the changes in level 3 instruments for the year ended 31st December 2014:

	Available-for-sale financial assets Note (i) US$'000	Financial assets at fair value through profit or loss Note (ii) US$'000	Other payable — contingent consideration payable Note (iii) US$'000	Other payable — redemption liabilities for written put option in a subsidiary US$'000
Opening balance	4,976	—	(4,818)	(2,065)
Additions	2,662	22,757	—	—
Disposals	(1,652)	—	—	—
Gain on remeasurement of fair value	10	—	11,626	—
Unwinding of interests (Note 10)	—	—	(2,902)	(176)
Transfer to other reserve upon transaction with non-controlling interest	—	—	(8,803)	2,255
Exchange differences	(828)	(200)	(31)	(14)
Closing balance	5,168	22,557	(4,928)	—
Total fair value gain for the year included in consolidated income statement, under 'other losses, net'	—	—	11,626	—
Total fair value gain for the year included in other comprehensive income	10	—	—	—

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

Notes:

(i) The Government of Argentina has implemented certain policies to demand companies doing businesses in Argentina to balance their imports with exports to enhance international trade balance. The Argentina subsidiary of the Group has therefore invested in an investment vehicle to comply with the international trade requirements in Argentina since July 2012. This investment vehicle mainly pursues underlying investments to enhance the exports of Argentina. The underlying investments mainly comprise of cash, temporary investments in a guaranteed fund, a mine and other assets. The fair value of the investments was determined based on a combination of cost, income and market approaches (such as minerals price for estimation of future project revenue).

(ii) The fair value measurement assumption of financial assets at fair value through profit or loss was set out in Note 24.

(iii) The valuation of contingent consideration payable primarily is based on the projected revenue of TP Vision Holding B.V. (a subsidiary of the Company) and its subsidiaries (collectively "TP Vision Group") and the adjusted operating profits of the Group's TVs segment. The key assumptions adopted in the long term projections include 1.1%–4.9% sales growth for the next five years, a perpetual growth not exceeding 3% beyond the fifth year and a discount rate of 15.0%. 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 earnings before interest and tax ("EBIT"), revenue or gross margin increased with all other variables held constant, the contingent consideration would have been increased.

(d) Fair value of financial assets and liabilities measured at amortized cost

The fair values of the trade and other receivables, pledged bank deposits, short-term bank deposits with original maturities over 3 months, trade payables, borrowings and loans and other payables and accruals (excluding contingent consideration payable) as at 31st December 2015 approximate their carrying amounts due to their short term maturities.

The fair values of the long-term bank deposits, borrowings and loans (including bank overdraft, borrowings and loans) as at 31st December 2015 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

3.4 Offsetting financial assets and financial liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the balance sheet. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities (Continued)

The following table sets out the carrying amounts of the derivative financial instruments that are subject to the above agreements.

	Gross and net amounts of financial assets/ (liabilities) presented in the balance sheet	Related amounts not set off in balance sheet	Net amount
	US$'000	US$'000	US$'000
As at 31st December 2015			
Derivative financial assets	**233,486**	**(154,708)**	**78,778**
Derivative financial liabilities	**(173,406)**	**154,708**	**(18,698)**
Total	**60,080**	**—**	**60,080**
As at 31st December 2014			
Derivative financial assets	141,717	(91,958)	49,759
Derivative financial liabilities (Restated — Note 2.2)	(95,610)	91,958	(3,652)
Total	46,107	—	46,107

An event of default under the terms of the above-mentioned agreements includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment); or bankruptcy.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain, such as deductibility of compensation payments to customers or accessibility of deemed royalty income in certain countries. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(b) Warranty provision

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 to thirty-six months. Significant judgment is required in determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and replacement costs incurred for the products sold in the last thirty-six months. Where the warranty expenses incurred are different from the original provision, such difference would impact the consolidated income statement in the period in which the warranty expenses are incurred.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10 and 2.11. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations required the use of estimates (Note 14).

(d) Pending litigations

The Group had certain pending litigations as at the reporting date. Management assesses whether it is more likely than not that an outflow of resources will be required to settle the pending litigations in which case an accrual for the potential litigation expenses is recognized.

(e) Estimation of provision for impairment of receivables

The Group makes provision for impairment of receivables based on an assessment of the collectability of receivables. Provisions for impairment are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Management assesses the collectability of those past due receivables based on the credit history customers and current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expense in the period in which such estimate is changed.

(f) Net realizable value of inventories

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

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

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of the assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to competition within the industry. Management will increase the depreciation where useful lives are less than previously estimated lives, or provide impairment for technically obsolete or non-strategic assets that have been abandoned or sold.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

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

An impairment of US$8,321,000 (2014: US$46,183,000) of trademarks was recognized during the year ended 31st December 2015, resulting in the carrying amount being written down to its recoverable amount. Refer to Note 14 for further details.

(h) Employee benefits — share-based payments

The valuation of the fair value of the share options granted requires judgment in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the consolidated income statement in the subsequent remaining vesting period of the relevant share options.

(i) Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each reporting date. Refer to Note 3.3(b) for the fair value measurement of derivatives.

(j) Payables for trademark license and royalty

In determining the trademark license fee payable, management determines the estimate of the payable primarily based on the estimated sales forecasted for the license period. These assessments require the use of judgments and estimates. Management reassesses the estimated amount of the payable at each balance reporting date.

Other than the trademark license fee payable, the Group estimates other royalty payables based on agreed royalty rates, industry knowledge and other market information. Significant judgment is required in determining the royalty expenses and related royalty payables at reporting date. Where the royalty expenses incurred are different from the original estimate, such difference would impact the consolidated income statement in the year in which the royalty expenses are incurred.

(k) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 31.

(l) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognized in the consolidated income statement. It obtains independent valuations at least annually. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Refer to Note 17 for the assumptions, valuation techniques and fair value measurement of investment properties.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(m) Contingent consideration payable

The valuation of the Group's contingent consideration payable is based on the Proportional EBIT forecasted by the Group's management.

This fair value measurement requires, among other things, significant estimation of future EBIT of the Group and significant judgment on time value of money. Contingent consideration payable shall be re-measured at their fair value resulting from events or factors emerge after the acquisition date, with any resulting gain or loss recognized in the consolidated income statement within 'other losses, net'.

Judgment is applied to determine key assumptions (such as sales growth, gross margin growth and discount rate) adopted in the estimation. Changes to key assumptions may impact the future payables amount (Note 3.3(c)).

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("CODM"), 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 three main operating segments: (i) Monitors; (ii) TVs; and (iii) Others. Others mainly comprise the sales of spare parts, phones, tablets and all-in-one computers.

There are differences in the basis of reportable segments from the last annual consolidated financial statements. Given that TP Vision Group has become wholly owned by the Group following the acquisition of the remaining 30% equity interest in 2014, "TVs" segment and "TP Vision — TVs" segment presented in 2014 consolidated financial statements have been combined into "TVs" segment. In addition, revenues from complete-knocked down ("CKD") and semi-knocked down ("SKD") operations that were previously included in "Others" segment have been reclassified into "Monitors" segment and "TVs" segment respectively depending on the product type. The Group has acquired Sang Fei Group in 2015 which does not meet the quantitative thresholds required by HKFRS 8 for reportable segments. Management has concluded that it should be aggregated into "Others" segment as there are similar phone products. The comparative segment information for the year ended 31st December 2014 has been restated to align with the presentation of the current year's segment information disclosure.

The Group's CODM 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. Finance income, finance costs, share of profits/(losses) of associates and a joint venture and unallocated income and expenses are not included in the result for each operating segment that is reviewed by the Group's CODM.

Capital expenditure represents additions of intangible assets, property, plant and equipment and land use rights.

Segment assets consist primarily of intangible assets, property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables, and derivative financial assets. They exclude investment properties, investments in associates, investment in a joint venture, available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss, long-term bank deposits, current income tax recoverable, pledged bank deposits, short-term bank deposits, cash and cash equivalents and other unallocated assets, which are managed centrally.

Information relating to segment liabilities is not disclosed as such information is not regularly reported to the CODM.

The revenue reported to the CODM is measured in a manner consistent with that in the consolidated income statement and is categorized according to the final destination of shipment.

5 SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and operating profit/(loss) information regarding the Group's reportable segments for the years ended 31st December 2015 and 2014 respectively.

	For the year ended 31st December 2015			
	Monitors	**TVs**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Revenue	**4,863,745**	**5,026,774**	**1,171,006**	**11,061,525**
Adjusted operating profit/(loss)	**139,596**	**(86,108)**	**(12,803)**	**40,685**
Depreciation of property, plant and equipment	**(43,851)**	**(90,406)**	**(3,076)**	**(137,333)**
Amortization of land use rights	**—**	**—**	**(444)**	**(444)**
Amortization of intangible assets	**(6,898)**	**(13,739)**	**(6,154)**	**(26,791)**
Reversal of restructuring costs	**—**	**702**	**—**	**702**
Impairment losses on trademarks and patents	**—**	**(8,321)**	**—**	**(8,321)**
Release of trademark license fee payable	**—**	**2,753**	**—**	**2,753**
Gain on remeasurement of contingent consideration payable	**—**	**3,758**	**—**	**3,758**
Capital expenditure	**(61,211)**	**(90,824)**	**(4,364)**	**(156,399)**

	For the year ended 31st December 2014 (Restated — Note 2.2)			
	Monitors	TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	5,229,260	4,956,803	1,722,014	11,908,077
Adjusted operating profit/(loss)	125,308	(49,076)	(36,681)	39,551
Depreciation of property, plant and equipment	(46,999)	(100,625)	(4,724)	(152,348)
Amortization of land use rights	—	—	(1,596)	(1,596)
Amortization of intangible assets	(5,398)	(37,489)	(5,969)	(48,856)
Provision for restructuring costs	—	(15,792)	—	(15,792)
Impairment losses on trademarks and patents	—	(44,504)	(1,679)	(46,183)
Release of trademark license fee payable	—	44,925	—	44,925
Gain on remeasurement of contingent consideration payable	—	11,626	—	11,626
Capital expenditure	(44,448)	(102,562)	(5,542)	(152,552)

The following tables present segment assets as at 31st December 2015 and 2014 respectively.

	As at 31st December 2015			
	Monitors	**TVs**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Segment assets	**2,167,897**	**2,568,788**	**240,234**	**4,976,919**

	As at 31st December 2014 (Restated — Note 2.2)			
	Monitors	TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000
Segment assets	2,373,879	2,525,554	637,041	5,536,474

5 SEGMENT INFORMATION (CONTINUED)

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

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Adjusted operating profit for reportable segments	**40,685**	39,551
Unallocated income	**38,776**	33,135
Unallocated expenses	**(20,481)**	(23,074)
Operating profit	**58,980**	49,612
Finance income	**7,365**	7,874
Finance costs	**(59,164)**	(72,101)
Share of profits of associates	**7,117**	5,553
Share of losses of a joint venture	**(3)**	(672)
Profit/(loss) before income tax	**14,295**	(9,734)

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

	As at 31st December	
	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Segment assets	**4,976,919**	5,536,474
Investment properties	**198,241**	188,087
Investments in associates	**61,237**	62,119
Investment in a joint venture	**1,349**	1,352
Available-for-sale financial assets	**4,758**	6,219
Deferred income tax assets	**77,958**	84,338
Financial assets at fair value through profit or loss	**80,689**	24,734
Long-term bank deposits	**40,892**	11,407
Current income tax recoverable	**5,833**	11,534
Pledged bank deposits	**3,670**	3,961
Short-term bank deposits	**32,643**	10,002
Cash and cash equivalents	**417,312**	492,250
Other unallocated assets	**30,078**	20,661
Total assets	**5,931,579**	6,453,138

5 SEGMENT INFORMATION (CONTINUED)

The analysis of revenue by geographical area is as follows:

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
The PRC	**4,331,431**	4,095,405
Europe	**2,440,849**	3,060,484
North America	**2,538,883**	2,294,632
South America	**745,331**	1,014,346
Rest of the world	**1,005,031**	1,443,210
	11,061,525	11,908,077

For the year ended 31st December 2015, revenues of approximately US$1,090,918,000 (2014: US$1,286,919,000) are derived from a single external customer. These revenues are attributable to the sales of TVs (2014: monitors and others). This customer is also the largest debtor as at the reporting date.

Non-current assets, other than financial instruments and deferred income tax assets, by geographical areas are as follows:

	As at 31st December	
	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
The PRC	**684,824**	704,672
Europe	**98,023**	124,157
North America	**11,692**	11,381
South America	**50,597**	79,700
Rest of the world	**440,307**	422,045
	1,285,443	1,341,955

6 OTHER INCOME

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Fiscal refund, government grant and technical innovation subsidy (Note a)	**38,776**	33,135
Brand promotion fee income (Note b)	**—**	65,257
Income from sales of scrap materials	**4,961**	6,451
Rental income	**6,660**	5,438
Miscellaneous income	**9,858**	10,069
	60,255	120,350

Notes:

(a) Fiscal refund, government grant and technical innovation subsidy were from the governments.

(b) 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.

7 OTHER LOSSES, NET

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Realized and unrealized gains on foreign exchange forward and options contracts — net	**126,823**	64,797
Realized and unrealized gains on cross currency interest rate swaps — net	**11,040**	19,257
Net exchange losses	**(204,799)**	(173,050)
Impairment losses on trademarks and patents (Note 14)	**(8,321)**	(46,183)
Losses on disposals of property, plant and equipment and land use rights — net (Note 36)	**(1,431)**	(2,339)
Net fair value gains on revaluation of investment properties (Note 17)	**2,186**	4,103
Impairment losses on available-for-sale financial assets (Note 21)	**(263)**	—
Gains on disposals of available-for-sale financial assets	**773**	—
Fair value gains/(losses) on financial assets at fair value through profit or loss	**19,483**	(722)
Gains on disposals of financial assets at fair value through profit or loss	**6,812**	7,250
Gains on disposal of a subsidiary (Note 39)	**6,942**	—
Release of trademark license fee payable	**2,753**	44,925
Gain on remeasurement of contingent consideration payable (Note)	**3,758**	11,626
	(34,244)	(70,336)

Note:

The valuation of contingent consideration payable primarily is based on the projected revenue of TP Vision Group and the adjusted operating profits of the Group's TVs segment. Based on the latest financial information and forecast, the expected payable would be reduced, with the difference recognized in the consolidated income statement as 'gains on remeasurement of contingent consideration payable' (Note 3.3(c)).

8 OPERATING PROFIT

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

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Cost of inventories	**9,497,818**	10,139,942
Employee benefit expenses (including directors' emoluments) (Note 9)	**507,005**	606,582
Amortization of intangible assets (Note 14)	**26,791**	48,856
Depreciation of property, plant and equipment (Note 15)	**137,333**	152,348
Impairment losses on property, plant and equipment (Note 15)	**1,181**	2,307
Amortization of land use rights (Note 16)	**444**	1,596
Operating lease rental for land, buildings and machinery	**26,626**	33,120
Auditor's remuneration (Note)		
— Audit services	**4,358**	4,120
— Non-audit services	**1,207**	947
Write-down/(write-back) of inventories to net realizable value	**19,107**	(1,530)
Provision for impairment of trade receivables (Note 23)	**3,165**	2,087
Provision for impairment of other receivables (Note 23)	**540**	2,885
Charge for warranty provisions (Note 33)	**240,185**	189,379
Royalty expense	**70,331**	101,465
(Reversal of)/provision for restructuring costs (Note 33)	**(702)**	15,792
Write-off of value-added tax recoverables	**4,302**	—
Provision of value-added tax recoverables	**1,735**	—
Donations	**458**	595

Note: Auditor's remuneration refers to the amounts to PricewaterhouseCoopers as recognized in the consolidated income statement.

9 EMPLOYEE BENEFIT EXPENSES

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Wages, salaries and welfare	**479,334**	571,288
Termination benefits	**7,631**	24,347
Share options granted to a director and employees	**26**	418
Pension costs — defined contribution plans	**15,553**	9,699
Pension costs — defined benefit plan (Note 31)	**4,461**	830
	507,005	606,582

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2014: one) director whose emoluments are reflected in the analysis shown in Note 44.

The emoluments payable to the remaining four (2014: four) individuals during the year are as follows:

	2015 US$'000	2014 US$'000
Basic salaries, housing allowances and other benefits in kind	**2,338**	1,775
Discretionary bonuses	**378**	272
Compensation for loss of office — contractual payments	**—**	783
	2,716	2,830

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HK dollar)		
HK$3,500,001 to HK$4,000,000 (equivalent to US$451,462 to US$515,956)	**1**	—
HK$4,500,001 to HK$5,000,000 (equivalent to US$580,451 to US$644,945)	**—**	1
HK$5,000,001 to HK$5,500,000 (equivalent to US$644,946 to US$709,439)	**2**	1
HK$5,500,001 to HK$6,000,000 (equivalent to US$709,440 to US$773,934)	**—**	1
HK$6,000,001 to HK$6,500,000 (equivalent to US$773,935 to US$838,428)	**—**	1
HK$6,500,001 to HK$7,000,000 (equivalent to US$838,429 to US$902,923)	**1**	—

During the year, the Group had not paid any emoluments to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Senior management remuneration by band

The emoluments fell within the following bands:

	Number of individuals 2015	2014
Emolument bands (in HK dollar)		
HK$2,000,001 to HK$2,500,000 (equivalent to US$257,978 to US$332,472)	**3**	—
HK$2,500,001 to HK$3,000,000 (equivalent to US$332,473 to US$386,966)	**1**	—
HK$3,000,001 to HK$3,500,000 (equivalent to US$386,967 to US$451,461)	**2**	3
HK$3,500,001 to HK$4,000,000 (equivalent to US$451,462 to US$515,956)	**1**	1
HK$4,000,001 to HK$4,500,000 (equivalent to US$515,957 to US$580,450)	**—**	1
HK$6,000,001 to HK$6,500,000 (equivalent to US$773,935 to US$838,428)	**—**	1
HK$6,500,001 to HK$7,000,000 (equivalent to US$838,429 to US$902,923)	**1**	—

10 FINANCE COSTS, NET

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Interest expenses		
— Interest expense on bank borrowings and factoring arrangements	**39,648**	25,994
— Interest expense on loans	**3,397**	8,518
— Interest expense on notes payable	**—**	848
Unwinding of interests		
— Unwinding of interests on license fee payable	**15,178**	31,687
— Unwinding of interests on contingent consideration payable	**941**	2,902
— Unwinding of interests on loans	**—**	1,976
— Unwinding of interests on redemption liability	**—**	176
Finance costs	**59,164**	72,101
Interest income on cash at bank and bank deposits	**(7,365)**	(7,874)
Finance costs, net	**51,799**	64,227

11 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit/(loss) generated in Hong Kong for the year (2014: Nil).

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

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

	2015 **US$'000**	2014 US$'000 (Restated — Note 2.2)
Current income tax charge		
— Current year	**41,157**	52,280
— Over-provision in respect of prior years	**(3,928)**	(964)
Deferred income tax charge/(credit) (Note 30)	**7,754**	(8,380)
Income tax expense	**44,983**	42,936

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the primary tax rate of 25% (2014: 25%) applicable to profit/(loss) of the majority of the consolidated entities as follows:

	2015 **US$'000**	2014 US$'000 (Restated — Note 2.2)
Profit/(loss) before income tax	**14,295**	(9,734)
Calculated at a taxation rate of 25% (2014: 25%)	**3,574**	(2,434)
Different taxation rates in other countries	**14,734**	(18,905)
Change of taxation rate	**258**	(1,425)
Income not subject to tax	**(25,816)**	(7,712)
Expenses not deductible for tax purposes	**42,906**	40,150
Losses for which no deferred income tax asset was recognized	**19,485**	29,597
Derecognition of prior years deferred income tax asset	**—**	4,395
Recognition of previously unrecognized deferred income tax assets (including utilization of previously unrecognized tax loss)	**(7,791)**	(3,249)
Over-provision in respect of prior years	**(3,928)**	(964)
Withholding tax on unremitted earnings	**1,561**	3,431
Other taxes	**—**	52
Income tax expense	**44,983**	42,936

12 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 year.

	2015	2014 (Restated — Note 2.2)
Loss attributable to owners of the Company (US$'000)	**(31,337)**	(5,460)
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,636
Basic loss per share (US cents per share)	**(1.34)**	(0.23)

(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.

Diluted loss per share for the year ended 31st December 2015 and 2014 equal basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

13 DIVIDENDS

	2015 **US$'000**	2014 US$'000
Final, proposed, of US$0.128 cent (2014: US0.128 cent) per ordinary share	**3,002**	3,002

A dividend in respect of the year ended 31st December 2015 of US$0.128 cent per share (2014: US0.128 cent per share) was proposed by the Board of directors on 17th March 2016 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to US$3,002,000 has not been recognized as a liability in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2016.

14 INTANGIBLE ASSETS

	Goodwill	Trademarks and patents	Software	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated — Note 2.2)	(Restated — Note 2.2)		(Restated — Note 2.2)
At 1st January 2014					
Cost	393,986	291,485	42,168	19,460	747,099
Accumulated amortization and impairment	—	(166,198)	(10,379)	(18,235)	(194,812)
Net book amount	393,986	125,287	31,789	1,225	552,287
Year ended 31st December 2014					
Opening net book amount	393,986	125,287	31,789	1,225	552,287
Exchange differences	—	(7,421)	(2,994)	(17)	(10,432)
Additions	—	4,600	3,058	287	7,945
Transfer	—	—	4	—	4
Amortization (Note 8)	—	(41,909)	(6,231)	(716)	(48,856)
Impairment (Note 7)	—	(46,183)	—	—	(46,183)
Closing net book amount	393,986	34,374	25,626	779	454,765
At 31st December 2014					
Cost	393,986	270,133	41,226	19,678	725,023
Accumulated amortization and impairment	—	(235,759)	(15,600)	(18,899)	(270,258)
Net book amount	393,986	34,374	25,626	779	454,765
Year ended 31st December 2015					
Opening net book amount	**393,986**	**34,374**	**25,626**	**779**	**454,765**
Exchange differences	**—**	**(1,527)**	**(2,845)**	**3**	**(4,369)**
Additions	**—**	**32,500**	**1,207**	**—**	**33,707**
Transfer	**—**	**—**	**144**	**(144)**	**—**
Amortization (Note 8)	**—**	**(20,636)**	**(5,592)**	**(563)**	**(26,791)**
Impairment (Note 7)	**—**	**(8,321)**	**—**	**—**	**(8,321)**
Disposal of subsidiary (Note 39)	**—**	**—**	**(142)**	**—**	**(142)**
Closing net book amount	**393,986**	**36,390**	**18,398**	**75**	**448,849**
At 31st December 2015					
Cost	**393,986**	**291,819**	**37,863**	**1,287**	**724,955**
Accumulated amortization and impairment	**—**	**(255,429)**	**(19,465)**	**(1,212)**	**(276,106)**
Net book amount	**393,986**	**36,390**	**18,398**	**75**	**448,849**

Notes:

(i) Amortization charge for the Group included in 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' amounted to US$20,629,000 (2014: US$44,322,000), US$694,000 (2014: US$735,000), US$5,180,000 (2014: US$3,779,000) and US$288,000 (2014: US$20,000) respectively in the consolidated income statement.

(ii) Impairment of the trademarks and patents for the Group is included in 'other losses, net' in the consolidated income statement.

14 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

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

	2015	2014
	US$'000	US$'000
Monitors	**324,274**	324,274
TVs	**69,712**	69,712
	393,986	393,986

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are projected for the next four-year period using the estimated growth in revenue and gross profit margin. Thereafter, the cash flows are extrapolated using the terminal growth rates not exceeding the long-term average growth rate for the business in which the CGU operates.

For each of the CGUs with significant amount of goodwill, the key assumptions used for value-in-use calculations in 2015 and 2014 are as follows:

	2015		2014	
	Monitors	**TVs**	Monitors	TVs
Gross profit margin growth (CAGR*)	**–0.7%**	**4.2%**	0.9%	–0.4%
Revenue growth (CAGR*)	**0.5%**	**2.8%**	0.5%	10.0%
Terminal growth rate	**0%**	**3.0%**	0%	3.0%
Discount rate (pre-tax)	**11.1%**	**11.1%**	11.1%	11.1%

* CAGR refers to compound annual growth rate over the five-year projection period

Management determined the budgeted gross profit margins based on past performances and their expectations of market developments. The revenue reduction/growth rates are estimated based on the industry forecasts and management's expectations. The terminal growth rates are based on the expected inflation rate. The discount rates reflect specific risks relating to the relevant operating segments. The estimated recoverable amount of the CGUs exceeded their carrying values and the directors are of the opinion that there was no impairment of goodwill as at 31st December 2015 and 2014.

If the forecasted revenue growth rate had been lowered by one percentage point for the Group's core monitors business and TV business for each of the five-year projection period, the recoverable amounts would be lowered by 9% and 8% respectively, but would still exceed their carrying amounts.

If the forecasted gross profit margin had been lowered by 45 basis point for the Group's core monitors business and TV business for each of the forecasted five-year projection period, the recoverable amounts would be lowered by 17% and 26% respectively, but would still exceed their carrying amounts.

Impairment test for trademarks — outside China TV business

The Group tests whether the trademarks are subject to any impairment, in accordance with the accounting policies set out in Note 2.11 of these consolidated financial statements.

14 INTANGIBLE ASSETS (CONTINUED)

Impairment test for trademarks — outside China TV business (Continued)

During the year ended 31st December 2015, management considered there were impairment indicators in relation to the trademark for outside China TV businesses due to continuous losses suffered by outside China business as a result of lower sales and gross profit margins than previously forecasted.

After taking into account the expected operating environment and market conditions, trademark for outside China TV business was fully impaired with impairment charge of US$8,321,000 for the year ended 31st December 2015 (2014: US$44,504,000).

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong US$'000	**Buildings outside Hong Kong US$'000**	**Land and buildings in Hong Kong US$'000**	**Leasehold improvements US$'000**	**Machinery and equipment US$'000**	**Moulds US$'000**	**Electrical appliances and equipment US$'000**	**Transportation equipment US$'000**	**Furniture, fixtures and miscellaneous equipment US$'000**	**Construction-in-progress US$'000**	**Total US$'000**
Year ended 31st December 2015											
Opening net book amount	**35,373**	**243,595**	**5,512**	**61,511**	**87,515**	**86,364**	**41,571**	**1,938**	**22,832**	**23,531**	**609,742**
Exchange differences	**(6,554)**	**(7,020)**	**—**	**(2,694)**	**(7,240)**	**(688)**	**(531)**	**(208)**	**(1,569)**	**(467)**	**(26,971)**
Additions	**—**	**16,277**	**—**	**6,462**	**18,244**	**63,026**	**11,090**	**755**	**2,995**	**3,843**	**122,692**
Disposals	**—**	**(74)**	**—**	**(193)**	**(2,213)**	**(2,397)**	**(3,145)**	**(53)**	**(412)**	**(1,437)**	**(9,924)**
Disposal of subsidiary (Note 39)	**—**	**—**	**—**	**(46)**	**—**	**(2,349)**	**(176)**	**(4)**	**(193)**	**—**	**(2,768)**
Depreciation (Note 8)	**—**	**(6,411)**	**(299)**	**(13,212)**	**(14,071)**	**(80,632)**	**(15,116)**	**(865)**	**(6,727)**	**—**	**(137,333)**
Reclassification	**—**	**12,307**	**—**	**3,777**	**3,418**	**719**	**829**	**—**	**206**	**(21,256)**	**—**
Provision for impairment losses (Note 8)	**—**	**—**	**—**	**—**	**(838)**	**202**	**(309)**	**—**	**(236)**	**—**	**(1,181)**
Closing net book amount	**28,819**	**258,674**	**5,213**	**55,605**	**84,815**	**64,245**	**34,213**	**1,563**	**16,896**	**4,214**	**554,257**
At 31st December 2015											
Cost	**28,819**	**326,441**	**6,629**	**99,298**	**165,228**	**292,080**	**165,859**	**5,881**	**59,722**	**4,281**	**1,154,238**
Accumulated depreciation	**—**	**(67,767)**	**(1,416)**	**(43,693)**	**(79,109)**	**(221,385)**	**(130,380)**	**(4,318)**	**(42,594)**	**—**	**(590,662)**
Accumulated impairment losses	**—**	**—**	**—**	**—**	**(1,304)**	**(6,450)**	**(1,266)**	**—**	**(232)**	**(67)**	**(9,319)**
Net book amount	**28,819**	**258,674**	**5,213**	**55,605**	**84,815**	**64,245**	**34,213**	**1,563**	**16,896**	**4,214**	**554,257**

	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Land and buildings in Hong Kong US$'000	Leasehold improvements US$'000 (Restated — Note 2.2)	Machinery and equipment US$'000 (Restated — Note 2.2)	Moulds US$'000	Electrical appliances and equipment US$'000 (Restated — Note 2.2)	Transportation equipment US$'000 (Restated — Note 2.2)	Furniture, fixtures and miscellaneous equipment US$'000 (Restated — Note 2.2)	Construction-in-progress US$'000	Total US$'000 (Restated — Note 2.2)
Year ended 31st December 2014											
Opening net book amount	40,451	246,614	5,810	59,103	101,078	89,854	47,355	2,047	25,994	42,764	661,070
Exchange differences	(5,078)	(2,580)	—	(2,336)	(5,149)	(568)	(623)	(79)	(1,252)	(1,151)	(18,816)
Additions	—	4,609	—	3,426	6,732	83,600	9,147	501	5,624	53,346	166,985
Transfers (Note 14 and 17)	—	—	—	—	—	—	—	—	(4)	(40,273)	(40,277)
Disposals	—	(41)	—	(182)	(1,754)	(1,142)	(544)	(38)	(33)	(831)	(4,565)
Depreciation (Note 8)	—	(13,222)	(298)	(10,139)	(16,936)	(88,047)	(15,199)	(844)	(7,663)	—	(152,348)
Reclassification	—	8,215	—	11,639	4,189	4,329	1,435	351	166	(30,324)	—
Provision for impairment losses (Note 8)	—	—	—	—	(645)	(1,662)	—	—	—	—	(2,307)
Closing net book amount	35,373	243,595	5,512	61,511	87,515	86,364	41,571	1,938	22,832	23,531	609,742
At 31st December 2014											
Cost	35,373	305,783	6,629	95,159	168,108	325,364	201,559	6,054	65,349	23,622	1,233,000
Accumulated depreciation	—	(62,188)	(1,117)	(33,648)	(79,916)	(230,150)	(159,026)	(4,116)	(42,463)	—	(612,624)
Accumulated impairment losses	—	—	—	—	(677)	(8,850)	(962)	—	(54)	(91)	(10,634)
Net book amount	35,373	243,595	5,512	61,511	87,515	86,364	41,571	1,938	22,832	23,531	609,742

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense of US$112,234,000 (2014: US$134,933,000) has been charged in 'cost of sales', US$2,082,000 (2014: US$2,817,000) in 'selling and distribution expenses', US$17,906,000 (2014: US$9,593,000) in 'administrative expenses' and US$5,111,000 (2014: US$5,005,000) in 'research and development expenses' respectively. Impairment loss of US$1,181,000 (2014: US$2,307,000) has been charged in 'cost of sales' during the year.

During the year, the Group has capitalized borrowing costs amounting to US$1,709,000 (2014: US$3,719,000) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of general borrowing of 3.9% (2014: 3.9%) per annum.

No property, plant and equipment is restricted nor pledged as security for liabilities as at year ended 31st December 2015 and 2014.

16 LAND USE RIGHTS

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

	2015 **US$'000**	2014 US$'000
At 1st January	**20,565**	63,091
Exchange differences	**(403)**	(1,224)
Transfer to investment properties (Note 17)	**—**	(38,182)
Disposals	**—**	(1,524)
Amortization (Note 8)	**(444)**	(1,596)
At 31st December	**19,718**	20,565

Amortization of US$8,000 (2014: US$1,596,000) has been charged in 'cost of sales', US$118,000 (2014: Nil) in 'selling and distribution expenses' and US$318,000 (2014: Nil) in 'administrative expenses' respectively.

17 INVESTMENT PROPERTIES

	2015 **US$'000**	2014 US$'000
At 1st January	**188,087**	101,019
Exchange differences	**(3,647)**	—
Additions	**11,615**	—
Transfer in (Note)	**—**	78,455
Revaluation gains credited to equity	**—**	4,510
Net revaluation gains credited to consolidated income statement (Note 7)	**2,186**	4,103
At 31st December	**198,241**	188,087

17 INVESTMENT PROPERTIES (CONTINUED)

Note:

Certain portion of properties were transferred from property, plant and equipment and land use rights to investment properties during the year ended 31st December 2014. They are with net book value of US$78,455,000. Upon the transfer, a gain representing revaluation gain on investment properties of US$4,510,000, netted with deferred tax charge of US$1,127,000 was credited to other comprehensive income during the year.

The Group leases out some of the investment properties under operating leases, for a period of one to fifteen years (2014: one to sixteen years). Rental income from these investment properties for the year amounted to US$6,397,000 (2014: US$4,603,000).

As at 31st December 2015, the Group had US$17,837,000 unprovided contractual obligations for future construction and development (2014: US$27,140,000).

An independent valuation of the Group's investment properties was performed by the independent, professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), to determine the fair value of the investment properties as at 31st December 2015 and 2014. The revaluation gains or losses are included in 'other losses, net' in the consolidated income statement (Note 7). The following table analyzes the investment properties carried at fair value, by valuation method.

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

	2015	2014
	US$'000	US$'000
Recurring fair value measurements		
Investment properties:		
— Industrial buildings — the PRC	**101,324**	98,782
— Industrial building — Poland	**7,818**	8,381
— Office and commercial building (2014: under construction) — the PRC	**89,099**	80,924
	198,241	188,087

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 Levels 1, 2 and 3 during the year.

	The PRC	**Poland**	**Total**
	US$'000	US$'000	US$'000
At 1st January 2015	**179,706**	**8,381**	**188,087**
Exchange differences	**(3,647)**	**—**	**(3,647)**
Additions	**11,615**	**—**	**11,615**
Net revaluation gains/(losses) charged to consolidated income statement	**2,749**	**(563)**	**2,186**
At 31st December 2015	**190,423**	**7,818**	**198,241**
Total unrealized gains/(losses) for the year included in consolidated income statement, under 'other losses, net'	**2,749**	**(563)**	**2,186**
At 1st January 2014	91,029	9,990	101,019
Transfer in	78,455	—	78,455
Revaluation gains credited to equity	4,510	—	4,510
Net revaluation gains/(losses) charged to consolidated income statement	5,712	(1,609)	4,103
At 31st December 2014	179,706	8,381	188,087
Total unrealized gains/(losses) for the year included in consolidated income statement, under 'other losses, net'	5,712	(1,609)	4,103
Change in unrealized gains for the year included in other comprehensive income	4,510	—	4,510

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group's investment properties were valued at 31st December 2015 and 2014 by the independent, professionally qualified valuer, JLL, who holds a recognized relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by JLL for financial reporting purpose. These valuation results are then reported to the Group's management for discussions and review in relation to the valuation processes and the reasonableness of valuation results.

Valuation techniques

For industrial buildings and office and commercial building (2014: under construction) in the PRC and Poland, the valuations were based on income approach, which largely use unobservable inputs (e.g. market rent, yield, etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

Information about fair value measurements using significant unobservable inputs (Level 3)

Properties	Fair value at 31st December 2015 (US$'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability — weighted average)	Relationship of unobservable inputs to fair value
Industrial buildings — the PRC	101,324	Income approach (term and reversionary yield method)	Market rent	RMB0.55-RMB1.90 per square meter per day (RMB1.30 per square meter per day)	The higher the rent, the higher the fair value.
			Term yield	6.5%–9.0% (8.4%)	The higher the yield, the lower the fair value.
			Reversionary yield	7.0%–9.5% (8.9%)	The higher the yield, the lower the fair value.
			Vacancy rate	5.0%	The higher the vacancy rate, the lower the fair value.
Industrial property — Poland	7,818	Income capitalization approach	Market rent	EUR2.0–EUR8.0 per square meter per month (EUR3.5 per square meter per month)	The higher the rent, the higher the fair value.
			Capitalization rate	9.5%	The higher the capitalization rate, the lower the fair value.
Office and commercial building (2014: under construction) — the PRC	89,099	Income approach	Market rent	RMB4.17–RMB5.5 per square meter per day (RMB4.8 per square meter per day)	The higher the rent, the higher the fair value
			Term yield	4.5%–5.0% (4.6%)	The higher the yield, the lower the fair value
			Reversionary yield	5.0%–5.5% (5.1%)	The higher the yield, the lower the fair value
			Vacancy rate	5.0%	The higher the vacancy rate, the lower the fair value

There are inter-relationships between unobservable inputs. Increase in lease terms may result in decrease in yield. Change of the leasing conditions, extension of the lease term and leasable area may result in decrease in rent.

18 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st December 2015:

Name	Place of incorporation/ establishment (Note a)	Principal activities	Particulars of issued share capital/ registered capital	Interest held by the Company (Note d) directly	Interest held by the Company (Note d) indirectly	Interest held by non-controlling interest
Top Victory International Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	100%	—	—
Top Victory Investments Limited	Hong Kong	Trading of computer monitors and flat TVs and sourcing of materials	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each (Note c)	—	100%	—
Top Victory Electronics (Fujian) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$40,000,000	—	100%	—
Top Victory Electronics (Taiwan) Company Limited[1]	Taiwan	Research and development of computer monitors and flat TVs and sourcing of certain components	92,000,000 ordinary shares of new Taiwan dollar 10 each	—	100%	—
TPV Electronics (Fujian) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors and flat TVs and sourcing of certain components	Paid-in capital of US$45,000,000	—	100%	—
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited[1] (Note b)	The PRC, limited liability company	Trading of computer monitors	Paid-in capital of US$3,000,000	—	100%	—
TPV Technology (Wuhan) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$16,880,000	—	100%	—
TPV Display Technology (Wuhan) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$27,000,000	—	100%	—
Wuhan Admiral Technology Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB80,000,000	—	100%	—
Xiamen Admiral Electronics Technology Company Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB3,000,000	—	100%	—
TPV International (USA), Inc.	USA	Sales and distribution of computer monitors and all-in-one PC products	1,000,000 ordinary shares of US$1 each	—	100%	—
Envision Indústria de Produtos Electrônicos Ltda.	Brazil	Production and sales of computer monitors and flat TVs	367,361,855 ordinary shares of Brazilian real 1 each	—	100%	—
TPV Technology (Beijing) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of RMB16,000,000	—	100%	—
TPV Display Polska Sp.z o.o	Poland	Production and sales of computer monitors and flat TVs	357,600 ordinary share of Poland zloty 500 each	—	100%	—
Fábrica Austral de Products Eléctricos S.A. (Note f)	Argentina	Sales and distribution of flat TVs	1,659,840 ordinary shares of Argentine Peso	—	49.95%	—
MMD (Shanghai) Electronics Trading Company Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB20,000,000	—	100%	—
MMD (Shanghai) Electronics Technology Company Limited[1] (Note b)	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB20,000,000	—	100%	—
TPV Display Technology (Xiamen) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of flat TVs and LCM modules	Paid-in capital of US$25,000,000	—	100%	—
TPV Display Technology (China) Company Limited[1] (Note b)	The PRC, limited liability company	Production and sales of computer monitors, flat TVs and all-in-one PC products	Paid-in capital of US$21,739,100	—	92%	8%
Trend Smart America Ltd	USA	Trading of flat TVs	Paid-in capital of US$200,000	—	100%	—
TPV CIS Ltd	Russia	Production and sales of flat TVs	Paid-in capital of US$19,679,857	—	100%	—
PTC Technology Company Limited1 (Note b)	The PRC, limited liability Company	Sales and distribution of flat TVs	Paid-in capital of RMB20,000,000	—	100%	—
PTC Consumer Electronics Company Limited[1] (Note b)	The PRC, limited liability Company	Sales and distribution of flat TVs	Paid-in capital of EUR1,240,000	—	100%	—
TPV Technology (Qingdao) Company Limited[1] (Note b)	The PRC, limited liability Company	Production and sales of flat TVs	Paid-in capital of US$30,000,000	—	80%	20%
TP Vision Holding B.V.	Netherlands	Investment Holding	Paid-in capital of EUR18,000	—	100%	—
TP Vision Europe B.V.	Netherlands	Sales and distribution of TVs	180 ordinary shares of EUR100 each	—	100%	—
Shenzhen Sang Fei Consumer Communications Company Limited[1] Note (b & e)	The PRC, limited liability Company	Production and distribution of mobile phone and telecommunication products	Paid-in capital of US$67,700,000	—	100%	—
Sangfei Mobility PTE Limited Note (e)	Singapore	Trading of mobile phone and telecommunication products	Paid-in capital of US$2,220,000	—	100%	—
Sangfei CEC Electronics Rus LLC Note (e)	Russia	Trading of mobile phone and telecommunication products	Paid-in capital of US$700,000	—	100%	—
Sangfei CEC Elektronik Ticaret A.S. Note (e)	Turkey	Trading of mobile phone and telecommunication products	Paid-in capital of EUR300,000	—	100%	—

[1] English translation is for identification purpose only.

18 SUBSIDIARIES (CONTINUED)

Notes:

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

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

(c) The non-voting deferred shares shall not confer on the holders thereof voting rights or any rights and privileges to participate in profits and assets except that Top Victory Investments Limited may distribute profits in respect of any financial year the first HK$100,000,000,000,000 thereof among the holders of the "A" ordinary shares and the balance, if any, among the holders of the "A" ordinary shares and the non-voting deferred shares. Top Victory Investments Limited may distribute assets as regards the first HK$100,000,000,000,000 thereof among the holders of "A" ordinary shares and the balance, if any, among the holders of "A" ordinary shares and non-voting deferred shares.

(d) No difference between the interest held and the voting right held by the Company.

(e) These subsidiaries were acquired from acquisition of business under common control in 2015 as stated in Note 40.

(f) Fábrica Austral de Products Eléctricos S.A. is split into two separate divisions comprising the TV business and the non-TV business. The Group controls the TV business of the entity and therefore consolidates the results of the TV business into the consolidated financial statements. The results of the non-TV business are controlled by Philips.

19 INVESTMENTS IN ASSOCIATES

	2015 **US$'000**	2014 US$'000
Investment in L&T Display Technology (Fujian) Limited[1] ("L&T Fujian")	**32,224**	30,721
Investments in other associates	**29,013**	31,398
	61,237	62,119

Set out below is the associate of the Group as at 31st December 2015, which, in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held indirectly by the Group.

Nature of investment in material associate as at 31st December 2015 and 2014:

Name of entity	Place of establishment	% of interest held indirectly	Nature of the relationship	Measurement method
L&T Fujian[1]	The PRC	49%	The associate manufactures and supplies monitors and spare parts	Equity

[1] English translation is for identification purpose only.

The associate is an unlisted limited liability company in the PRC and there is no quoted market price available for its shares.

As at 31st December 2015 and 2014, there are no significant contingent liabilities and capital commitment relating to the Group's interest in the associate.

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarized financial information for material associate

Set out below are the summarized financial information of L&T Fujian which is accounted for using the equity method. The information below reflects the amounts presented in the financial statements of the associate. There is no significant difference in accounting policies between the Group and L&T Fujian.

	2015 **US$'000**	2014 US$'000
Summarized balance sheet		
Non-current assets	**22,064**	22,154
Current assets	**287,465**	270,306
Non-current liabilities	**—**	—
Current liabilities	**(243,121)**	(229,582)
Net assets	**66,408**	62,878
Summarized income statement		
Revenue	**1,139,875**	1,129,686
Profit from continuing operation	**16,463**	15,071
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**16,463**	15,071
Dividend received from associate	**—**	—

Reconciliation of summarized financial information

Reconciliation of the summarized financial information of the material associate presented to the carrying value of the Group's interest in associates.

	2015 **US$'000**	2014 US$'000
Opening net assets as at 1st January	**62,878**	49,004
Exchange differences	**(2,778)**	(1,197)
Profit for the year	**16,463**	15,071
Other comprehensive income	**—**	—
Dividends	**(10,155)**	—
Closing net assets as at 31st December	**66,408**	62,878
Interest in the associate	**49%**	49%
Net assets attributable to the Group as at 31st December before elimination	**32,540**	30,810
Elimination of unrealized profit	**(316)**	(89)
Net asset attributable to the Group as at 31st December	**32,224**	30,721
Investments in other associates (Note a)	**29,013**	31,398
Carrying value as at 31st December	**61,237**	62,119

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of summarized financial information (Continued)

Note:

(a) Aggregate information of other associates

Set out below is the Group's share of results of other associates that are not individually material.

	2015 US$'000	2014 US$'000
Loss for the year	**(723)**	(1,743)
Other comprehensive income for the year	**—**	—
Total comprehensive loss for the year	**(723)**	(1,743)

Other associates included L&T Display Technology (Xiamen) Limited, for which the Group has not recognized profit amounting to US$7,971,000 (2014: loss of US$152,000) for the year ended 31st December 2015. The accumulated losses not recognized were US$430,000 (2014: US$8,401,000) as at 31st December 2015. This associate was liquidated during the year ended 31st December 2015.

20 INVESTMENT IN A JOINT VENTURE

	2015 US$'000	2014 US$'000
At 1st January	**1,352**	1,353
Exchange differences	**—**	671
Share of loss charged to consolidated income statement	**(3)**	(672)
At 31st December	**1,349**	1,352

The directors are of the opinion that the joint venture is not material to the Group as at 31st December 2015 and 2014. The Group's joint venture is unlisted as at 31st December 2015 and 2014. The Group's share of result of this joint venture and its aggregated assets and liabilities, are as follows:

			Attributable to the Group 2015				
Name	**Particulars of issued shares held/ registered capital**	**Place of incorporation**	**Assets** US$'000	**Liabilities** US$'000	**Revenue** US$'000	**Loss for the year** US$'000	**Interest held indirectly**
BriVictory Display Technology (Labuan) Corp.	15,999,998 ordinary shares with US$1 each	Malaysia	**1,349**	**—**	**—**	**(3)**	**49%**
			2014				
			1,352	—	—	(672)	49%

There are no significant contingent liabilities and material capital commitment relating to the Group's interest in the joint venture as at 31st December 2015 and 2014.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 US$'000	2014 US$'000
At 1st January	**6,219**	5,558
Exchange differences	**(1,959)**	(828)
Additions	**1,103**	2,662
Disposals	**(345)**	(1,652)
Fair value gains	**3**	479
Impairment loss charged to consolidated income statement (Note 7)	**(263)**	—
At 31st December	**4,758**	6,219
Less: non-current portion	**(4,758)**	(6,219)
Current portion	**—**	—

Available-for-sale financial assets include the following:

	2015 US$'000	2014 US$'000
Listed securities:		
— Equity securities — Taiwan	**789**	1,051
Unlisted securities		
— Equity securities — Argentina	**3,894**	4,745
— Equity securities — Taiwan	**75**	423
	4,758	6,219

As at 31st December 2015, the carrying amount of unlisted securities of US$3,969,000 (2014: US$5,168,000) approximates its fair values. Details of the fair value measurements are set out in Note 3.3 to the financial statements.

22 INVENTORIES

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Raw materials	**455,506**	551,673
Work-in-progress	**86,540**	125,986
Finished goods	**739,938**	762,879
Production supplies	**2,407**	2,916
	1,284,391	1,443,454

The Group made inventory provision to write down the inventories to net realizable value.

23 TRADE AND OTHER RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Non-current		
Prepayments	**1,792**	5,325
Other assets (Note a)	**37,783**	66,675
Other receivables	**36,972**	34,066
	76,547	106,066
Current		
Trade receivables	**2,121,565**	2,189,185
Less: provision for impairment of trade receivables	**(22,914)**	(30,608)
Trade receivables, net	**2,098,651**	2,158,577
Deposits	**5,858**	9,931
Prepayments	**34,582**	37,812
Other receivables		
— Value-added tax recoverable	**185,456**	255,700
— Others (Note b)	**65,202**	318,806
	291,098	622,249
Total	**2,466,296**	2,886,892

Notes:

(a) As at 31st December 2015, the non-current other assets of US$37,783,000 (2014: US$66,675,000) relate to cash placed in an escrow account for certain consumer care obligations arising in TP Vision Group as set out in Trademark License Agreement between TP Vision Group and Philips. The receivable is classified as non-current as the related obligations fall due in more than one year.

(b) At 31st December 2014, an amount of US$52,636,000 included in other receivables relates to the disposal of certain properties and land use rights in the PRC. This receivable is past due as a result of delay in the relocation process. The receivables was fully settled during the year ended 31st December 2015.

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

23 TRADE AND OTHER RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS (CONTINUED)

At 31st December 2015 and 2014, the ageing analysis of gross trade receivables based on invoice date was as follows:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
0–30 days	**992,171**	890,046
31–60 days	**735,090**	776,286
61–90 days	**251,521**	313,577
91–120 days	**46,791**	63,071
Over 120 days	**95,992**	146,205
	2,121,565	2,189,185

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

No significant defaults in the past was noted for existing customers with trade receivables that are neither past due nor impaired as at 31st December 2015.

As at 31st December 2015, gross trade receivables of US$107,634,000 (2014: US$183,590,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default, except for a few customers in South America, which the directors have assessed and considered to be fully recoverable based on, among others, agreed settlement plans with these debtors.

The ageing analysis of these past due trade receivables is as follows:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
1–90 days	**48,746**	130,754
91–120 days	**1,189**	17,849
Over 120 days	**57,699**	34,987
	107,634	183,590

As at 31st December 2015, gross trade receivables of US$30,230,000 (2014: US$46,396,000) were impaired. The amount of the provision was US$22,914,000 as at 31st December 2015 (2014: US$30,608,000). The individually impaired receivables mainly relate to balances due from a customer in Russia and a number of other customers, which are in unexpectedly difficult financial situations. The directors expect the unimpaired portion of these receivables to be recoverable, including an amount of US$7,316,000 due from a customer in Russia which is partially covered by credit insurance.

23 TRADE AND OTHER RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER ASSETS (CONTINUED)

The ageing analysis of these impaired receivables is as follows:

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Over 120 days	**30,230**	46,396

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

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
At 1st January	**30,608**	32,226
Provision for impairment of trade receivables (Note 8)	**3,165**	2,087
Receivables written off during the year as uncollectible	**(8,974)**	(2,224)
Disposal of subsidiary	**(290)**	—
Exchange differences	**(1,595)**	(1,481)
At 31st December	**22,914**	30,608

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

The other receivables contain US$540,000 (2014: US$2,885,000) of provision for impaired receivables which has been included in 'administrative expenses' in the consolidated income statement (Note 8). Other classes within deposits, prepayments and other assets do not contain impaired assets.

The Group does not hold any significant collateral as security.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 US$'000	2014 US$'000
Current		
Listed securities, at market value:		
— Equity securities — Taiwan	**2,301**	2,177
— Equity securities — Argentina	**56,828**	—
	59,129	2,177
Non-current		
Unlisted securities		
— Equity securities — The PRC (Note)	**21,560**	22,557
	80,689	24,734

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

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'other losses, net' in the consolidated income statement (Note 7).

Note:

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 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, LCD panels and modules (the "Products").

Under the JV Agreement, the registered capital of Nanjing JV is RMB17,500,000,000 (approximately US$2,695,003,000). TVI owns 0.8% equity interests and contributes RMB140,000,000 (approximately US$21,560,000) in proportion to its equity interest.

Pursuant to the JV Agreement, TVI may exercise an option (the "Put Option") to require 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$21,560,000) 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.

The investment is classified as a non-current financial asset at fair value through profit or loss as management does not expect to realize the investment within twelve months after 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 realizable from this investment as forecasted by management taking into consideration the discounting effects as well as the Group's right to exercise the Put Option. The directors consider the carrying value of this instrument (including the Put Option) approximates its fair value, considering the option right to sell the equity interest to other shareholders.

25 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS, PLEDGED BANK DEPOSITS AND LONG-TERM BANK DEPOSITS

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Non-current		
Long-term bank deposits (Note a)	**40,892**	11,407
Current		
Cash and cash equivalents (Note b)	**417,312**	492,250
Short-term bank deposits (Note b)	**32,643**	10,002
	449,955	502,252
Pledged bank deposits (Note 35)	**3,670**	3,961
	453,625	506,213
Total	**494,517**	517,620

Notes:

(a) The long-term bank deposits are with 2 to 3-year terms which bear interest at an average rate of 2.97% (2014: 4.25%) per annum and will be matured in 2017 to 2018 (2014: September 2017).

(b) The cash and cash equivalents are included for the purpose of the consolidated statement of cash flows. Short-term bank deposits as at 31st December 2015 bear interest at an average rate of 2.93% (2014: 2.75%) with maturity from May 2016 to November 2016 (2014: October 2015), and were therefore excluded from cash and cash equivalents.

The conversion of certain foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by respective governments as disclosed in Note 3.1(a)(i).

26 SHARE CAPITAL

	2015 US$'000	2014 US$'000
Authorized:		
4,000,000,000 (2014: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2014: 2,345,636,139) ordinary shares of US$0.01 each	**23,456**	23,456

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

	2015		2014	
	Number of issued ordinary shares of US$0.01 each	**Share capital US$'000**	Number of issued ordinary shares of US$0.01 each	Share capital US$'000
At 1st January and 31st December	**2,345,636,139**	**23,456**	2,345,636,139	23,456

27 SHARE-BASED PAYMENTS

Under the share option scheme which was granted on 18th January 2011 ("2011 Scheme"), the exercise price of the granted options is equal to HK$5.008. Options are conditional on completing four years of services (the vesting period). The options are exercisable within ten years from the grant date and are expiring on 17th January 2021 (both days inclusive).

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

	2015		2014	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1st January	**5.008**	**33,770**	5.008	37,030
Lapsed (Note a)	**5.008**	**(4,300)**	5.008	(3,260)
At 31st December	**5.008**	**29,470**	5.008	33,770

Out of the 29,470,000 outstanding options (2014: 33,770,000), 29,470,000 options were exercisable as at 31st December 2015 (2014: 25,328,000 options). No option was exercised during the year (2014: Nil).

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

Expiry date	**Exercise price in HK$ per share option**	**Number of share options (thousands)**	
		2015	2014
17th January 2021 (Note b)	5.008	**29,470**	33,770

The fair value of options granted of 2011 Scheme determined using the Binomial Option Pricing Model was HK$1.84 per option. The significant inputs into the model were closing share price of HK$4.96 at the grant date, exercise price shown above, volatility of 53.96%, a vesting period of four years, an expected option life of ten years, dividend yield of 3.11% per annum, a forfeiture rate of 3.28% and a risk-free interest rate of 2.73% per annum. The volatility measured at the grant date is referenced to the historical volatility of the Company.

The total expense for share options granted to directors and employees are recognized as 'employee benefit expenses' in the consolidated income statement (Note 9).

Notes:

(a) During the year, 4,300,000 (2014: 3,260,000) share options under 2011 Scheme were lapsed as a result of the cessation of employment of certain employees.

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

Notes to the Consolidated Financial Statements (Continued)

28 RESERVES

	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note a) US$'000	Merger difference (Note b) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves (Note c) US$'000	Retained profits US$'000	Total US$'000
As at January 2015 (Previously stated)	**759,464**	**68,202**	**12**	**19,925**	**(122,057)**	**96,174**	**10,001**	**479**	**41,387**	**(142,915)**	**924,222**	**1,654,894**
Common control business combination (Note 40)	**—**	**—**	**—**	**—**	**13,043**	**—**	**32,378**	**—**	**—**	**—**	**(51,190)**	**(5,769)**
At 1st January 2015 (Restated — Note 2.2)	**759,464**	**68,202**	**12**	**19,925**	**(109,014)**	**96,174**	**42,379**	**479**	**41,387**	**(142,915)**	**873,032**	**1,649,125**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(31,337)**	**(31,337)**
Fair value gains on available-for-sale financial assets (Note 21)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3**	**—**	**—**	**—**	**3**
Currency translation differences												
— Group	**—**	**—**	**—**	**—**	**(15,908)**	**—**	**—**	**—**	**—**	**—**	**—**	**(15,908)**
— Associates and a joint venture	**—**	**—**	**—**	**—**	**(3,014)**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,014)**
Transfer from retained profits	**—**	**—**	**—**	**—**	**—**	**7,011**	**—**	**—**	**—**	**—**	**(7,011)**	**—**
Common control business combination (Note 40)	**—**	**—**	**—**	**—**	**—**	**—**	**3,062**	**—**	**—**	**—**	**—**	**3,062**
Employee share option scheme:												
— Employee share-based compensation benefits	**—**	**—**	**—**	**26**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**26**
Remeasurement of pension obligations, net of tax (Note 31)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**815**	**815**
Capital transaction with non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**351**	**—**	**351**
Dividend to non-controlling interest 2014 final dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,002)**	**(3,002)**
At 31st December 2015	**759,464**	**68,202**	**12**	**19,951**	**(127,936)**	**103,185**	**45,441**	**482**	**41,387**	**(142,564)**	**832,497**	**1,600,121**

	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000 (Restated — Note 2.2)	Reserve fund (Note a) US$'000	Merger difference (Note b) US$'000 (Restated — Note 2.2)	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves (Note c) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2014 (Previously stated)	759,464	68,202	12	19,507	(125,803)	90,656	10,001	—	38,004	(14,492)	898,119	1,743,670
Common control business combination	—	—	—	—	6,549	—	32,378	—	—	—	(3,922)	35,005
At 1st January 2014 (Restated — Note 2.2)	759,464	68,202	12	19,507	(119,254)	90,656	42,379	—	38,004	(14,492)	894,197	1,778,675
Loss for the year	—	—	—	—	—	—	—	—	—	—	(5,460)	(5,460)
Revaluation gains on investment properties transferred from property, plant and equipment and land use rights, net of tax (Note 17)	—	—	—	—	—	—	—	—	3,383	—	—	3,383
Fair value gains on available-for-sale financial assets (Note 21)	—	—	—	—	—	—	—	479	—	—	—	479
Currency translation differences												
— Group	—	—	—	—	10,852	—	—	—	—	—	—	10,852
— Associates and a joint venture	—	—	—	—	(612)	—	—	—	—	—	—	(612)
Transfer from retained profits	—	—	—	—	—	5,518	—	—	—	—	(5,518)	—
Employee share option scheme:												
— Employee share-based compensation benefits	—	—	—	418	—	—	—	—	—	—	—	418
Remeasurement of pension obligations, net of tax (Note 31)	—	—	—	—	—	—	—	—	—	—	(7,185)	(7,185)
Capital transaction with non-controlling interest	—	—	—	—	—	—	—	—	—	(128,423)	—	(128,423)
2013 final dividends paid	—	—	—	—	—	—	—	—	—	—	(3,002)	(3,002)
At 31st December 2014 (Restated — Note 2.2)	759,464	68,202	12	19,925	(109,014)	96,174	42,379	479	41,387	(142,915)	873,032	1,649,125

28 RESERVES (CONTINUED)

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 the 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 where this 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 was created as a result of: (a) acquisitions of the four common control entities acquired in 2015 (Note 40); and (b) 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 reserves primarily arose from the acquisition of remaining 30% equity interest in TP Vision Group and remaining 13.64% of a subsidiary in 2014 and 2015 respectively, 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.

29 BORROWINGS AND LOANS

	2015 **US$'000**	2014 US$'000 (Restated — Note 2.2)
Non-current		
Bank borrowings (Note a)	**342,689**	78,478
Loans (Note b)	**98,392**	109,358
	441,081	187,836
Current		
Bank overdraft (Note a)	**32,649**	20,716
Bank borrowings (Note a)	**113,316**	132,942
Loans (Note b)	**—**	147,026
	145,965	300,684
Total borrowings and loans	**587,046**	488,520

Notes:

(a) The bank overdraft and bank borrowings bear interest at floating rates that are market dependent.

(b) As part of the acquisition of the remaining 30% equity interests of TP Vision Group on 30th May 2014, Philips, 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 Philips and TP Vision Group. To preserve the original funding arrangement, Philips, AOC and TPV concurrently entered into new loan agreements, whereby Philips made available to AOC loans and stand-by facilities of the same terms. TPV agreed to irrevocably and unconditionally guarantee to Philips the punctual performance by AOC of its obligations under the new loan agreements.

Loans represent two tranches of term loans ("Term Loan") provided by Philips, the ex-shareholder of TP Vision Group. The Term Loan is unsecured, interest bearing at EURIBOR plus margin ranging from 1.8% to 2.7% per annum. As at 31st December 2015, loans amounting to EUR30,000,000 and EUR60,000,000 are repayable on 1st April 2017 and 30th May 2017 respectively. Loan amounting to EUR121,000,000 was repaid upon maturity on 1st April 2015.

The fair value of the loans from Philips approximate their carrying amount as they bear interest at market rates.

29 BORROWINGS AND LOANS (CONTINUED)

As at 31st December 2015, the Group's borrowings and loans were repayable as follows:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
Within one year	**145,965**	300,684
Between one and two years	**176,905**	30,000
Between two and five years	**264,176**	157,836
	587,046	488,520

The exposure of the Group's borrowings and loans to interest rate change at 31st December 2015 is disclosed in Note 3.

As at 31st December 2015 and 2014, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
Total available and undrawn facilities	**2,320,946**	2,502,971

30 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**32,814**	40,529
— Deferred income tax assets to be recovered within 12 months	**45,144**	43,809
	77,958	84,338
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	**(16,208)**	(16,127)
— Deferred income tax liabilities to be settled within 12 months	**(18,972)**	(10,119)
	(35,180)	(26,246)
Deferred income tax assets (net)	**42,778**	58,092

30 DEFERRED INCOME TAX (CONTINUED)

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

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
At 1st January	**58,092**	54,231
Exchange differences	**(4,671)**	(6,640)
Deferred tax (charged)/credited to consolidated income statement (Note 11)	**(7,754)**	8,380
Deferred tax (charged)/credited to equity	**(620)**	2,121
Disposal of subsidiary (Note 39)	**(2,269)**	—
At 31st December	**42,778**	58,092

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

	Provisions and license fee payable		Pension obligations		Unrealized profits on inventories		Tax losses		Others		Total	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000 (Restated — Note2.2)	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000 (Restated — Note2.2)
At 1st January	**63,081**	43,975	**4,673**	2,078	**4,603**	6,930	**36,053**	12,253	**26,556**	29,947	**134,966**	95,183
Exchange differences	**(3,400)**	(4,119)	**(478)**	(54)	**—**	(1)	**(1,889)**	(252)	**(2,791)**	(3,512)	**(8,558)**	(7,938)
Credited/(charged) to consolidated income statement	**17**	23,225	**904**	(599)	**257**	(2,326)	**(2,560)**	24,052	**(5,761)**	121	**(7,143)**	44,473
(Charged)/credited to equity	**—**	—	**(620)**	3,248	**—**	—	**—**	—	**—**	—	**(620)**	3,248
Disposal of subsidiaries (Note 39)	**(2,269)**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(2,269)**	—
At 31st December	**57,429**	63,081	**4,479**	4,673	**4,860**	4,603	**31,604**	36,053	**18,004**	26,556	**116,376**	134,966

The natures of items giving rise to deferred tax liabilities and their respective movements in deferred income tax liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Unrealized gains on derivative financial instruments		Revaluation of properties		Withholding tax on distributable profits		Intangible asset recognized		Future taxable income (Note a)		Others		Total	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
At 1st January	**(1,693)**	(989)	**(15,729)**	(13,376)	**(12,834)**	(12,848)	**(3,581)**	(12,885)	**(42,489)**	—	**(548)**	(854)	**(76,874)**	(40,952)
Exchange differences	**—**	—	**—**	—	**217**	33	**287**	1,578	**3,370**	(358)	**13**	45	**3,887**	1,298
(Charged)/credited to consolidated income statement	**(9,226)**	(704)	**(479)**	(1,226)	**(1,561)**	(19)	**3,099**	7,726	**7,470**	(42,131)	**86**	261	**(611)**	(36,093)
Charged to equity	**—**	—	**—**	(1,127)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(1,127)
At 31st December	**(10,919)**	(1,693)	**(16,208)**	(15,729)	**(14,178)**	(12,834)	**(195)**	(3,581)	**(31,649)**	(42,489)	**(449)**	(548)	**(73,598)**	(76,874)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses amounting to US$457,637,000 (2014: US$543,782,000) that can be carried forward against future taxable income. Losses amounting to US$296,306,000 (2014: US$371,793,000) expire from 2016 to 2025.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling US$588,902,000 at 31st December 2015 (2014: US$518,132,000). Such amounts are permanently reinvested.

30 DEFERRED INCOME TAX (CONTINUED)

Note:

(a) Upon a new tax ruling agreed with the tax authority in certain countries in 2014, certain income of the Group will gradually be taxable in the future. A deferred tax liability amounting to US$42,131,000 is therefore charged to the consolidated income statement for such taxable temporary difference in 2014. US$7,470,000 was utilized and credited to the consolidated income statement in 2015. At the same time, deferred tax assets primarily arising from the deductible temporary differences on provisions and license fee payable and tax losses within the same tax jurisdiction have been credited correspondingly to the consolidated income statement to the extent that future reversal of temporary differences and the realization of the related tax benefits through future taxable profit is probable.

31 PENSION OBLIGATIONS

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

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

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

	As at 31st December	
	2015	2014
	US$'000	US$'000
Present value of funded obligations	**53,762**	45,473
Fair value of plan assets	**(33,176)**	(24,803)
	20,586	20,670
Present value of unfunded obligations	**2,504**	3,374
Liability in the consolidated balance sheet	**23,090**	24,044
Less: Current portion	**(2,438)**	(2,778)
Non-current portion	**20,652**	21,266

Current portion of pension obligations are included in 'other payables and accruals' in the consolidated balance sheet.

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

	2015	2014
	US$'000	US$'000
Current service cost	**3,212**	913
Interest cost	**851**	674
Interest income on plan assets	**(484)**	(139)
Past service cost and other cost	**882**	(618)
Total expenses, included in employee benefit expenses (Note 9)	**4,461**	830

31 PENSION OBLIGATIONS (CONTINUED)

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

	Present value of obligations US$'000	Fair value of plan assets US$'000	Total US$'000
At 1st January 2015	**48,847**	**(24,803)**	**24,044**
Current service cost	**3,212**	**—**	**3,212**
Interest expenses/(income)	**851**	**(484)**	**367**
Remeasurement arising from experience adjustment and changes in actuarial assumptions	**7,258**	**(8,127)**	**(869)**
Return on plan assets	**—**	**(566)**	**(566)**
Changes in asset ceiling	**—**	**—**	**—**
Exchange differences	**(4,269)**	**2,431**	**(1,838)**
Contributions:			
— Employers	**—**	**(2,537)**	**(2,537)**
— Plan participants	**395**	**—**	**395**
Benefit payments	**(726)**	**910**	**184**
Others	**698**	**—**	**698**
At 31st December 2015	**56,266**	**(33,176)**	**23,090**

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

	Present value of obligations US$'000	Fair value of plan assets US$'000	Effect of asset ceiling US$'000	Total US$'000
At 1st January 2014	20,620	(4,399)	76	16,297
Current service cost	913	—	—	913
Interest expenses/(income)	674	(139)	—	535
Remeasurement arising from experience adjustment and changes in actuarial assumptions	36,230	(24,017)	—	12,213
Return on plan assets	—	(28)	—	(28)
Changes in asset ceiling	—	—	(76)	(76)
Exchange differences	(4,880)	2,485	—	(2,395)
Contributions:				
— Employers	—	(2,818)	—	(2,818)
— Plan participants	102	—	—	102
Benefit payments	(4,387)	4,113	—	(274)
Others	(425)	—	—	(425)
At 31st December 2014	48,847	(24,803)	—	24,044

Upon the remeasurement of pension obligation as at year end, a net gain of US$815,000, representing remeasurement gain on pension obligations of US$1,435,000, net of deferred tax of US$620,000 was recognized in other comprehensive income during the year.

31 PENSION OBLIGATIONS (CONTINUED)

The significant actuarial assumptions used are as follows:

	2015	2014
Discount rates	**1.70%–2.00%**	1.90%–2.44%
Salary growth rate	**2.55%–3.50%**	3.03%–3.50%

The sensitivity of the overall pension liability to changes in the weighted principal assumption is as follow:

For pension plan in Taiwan:

	Change in assumption	**Impact on defined benefit obligation Increase/ (decrease)** US$'000
Discount rates (per annum)	+1%	(642)
	-1%	742
Salary growth rate (per annum)	+1%	637
	-1%	(564)

For pension plan in Europe:

	Change in assumption	**Impact on defined benefit obligation Increase/ (decrease)** US$'000
Discount rates (per annum)	+0.5%	(3,306)
	-0.5%	1,897
Salary growth rate (per annum)	+0.5%	323
	-0.5%	(2,513)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

31 PENSION OBLIGATIONS (CONTINUED)

Plan assets comprised:

	2015		2014	
	US$'000	**%**	US$'000	%
Equities	**1,823**	**5%**	1,378	6%
Debt securities	**27,518**	**83%**	19,031	77%
Cash and deposits	**192**	**1%**	246	1%
Properties	**2,887**	**9%**	3,071	12%
Others	**756**	**2%**	1,077	4%
	33,176	**100%**	24,803	100%

Expected contributions to the pension plans for the year ending 31st December 2016 will be US$2,433,639 (2015: US$3,054,000).

The weighted average duration of the defined benefit obligation is 11.3 (2014: 14.5) years.

Expected maturity analysis of undiscounted pension:

	Less than 1 year	**Over 1 year**	**Total**
	US$'000	US$'000	US$'000
Pension benefits	2,125	73,445	75,570

32 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2015	2014
	US$'000	US$'000
		(Restated — Note 2.2)
Non-current		
License fee payable	**44,700**	75,865
Contingent consideration payable (Note)	**2,504**	4,928
Accrued employee benefits	**847**	1,609
Others	**1,078**	1,039
	49,129	83,441
Current		
Trade payables	**2,215,034**	2,519,854
Other payables and accruals		
— Accrued employee benefits	**101,812**	113,882
— Accrued operating expenses	**134,612**	163,751
— Duty and tax payable other than income tax	**53,641**	77,538
— License fee payable	**60,735**	60,480
— Payables under discounting arrangement	**364,645**	520,565
— Payables for purchase of property, plant and equipment	**99,136**	114,621
— Royalty payables	**141,005**	151,055
— Others	**87,985**	181,653
	1,043,571	1,383,545
Total	**3,307,734**	3,986,840

32 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note:

The Group has recognized the contingent consideration payable at fair value based upon the terms as stipulated in the Sale and Purchase Agreement and the supplementary agreements with reference to the projected revenue of TP Vision Group and the adjusted operating profits of Group's TVs segment. The contingent consideration payable 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 consolidated income statement.

At 31st December 2015 and 2014, the ageing analysis of trade payables based on invoice date was as follows:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
0–30 days	**885,150**	907,204
31–60 days	**628,630**	840,428
61–90 days	**339,067**	411,262
Over 90 days	**362,187**	360,960
	2,215,034	2,519,854

33 PROVISIONS

	2015			2014		
	Warranty provision US$'000	**Restructuring and other provisions US$'000**	**Total US$'000**	Warranty provision US$'000 (Restated — Note 2.2)	Restructuring and other provisions US$'000	Total US$'000 (Restated — Note 2.2)
As at 1st January	**118,973**	**7,243**	**126,216**	107,489	30,261	137,750
Exchange differences	**(6,183)**	**(675)**	**(6,858)**	(3,782)	(1,526)	(5,308)
Charged/(credited) to consolidated income statement (Note 8)	**240,185**	**(225)**	**239,960**	189,379	14,741	204,120
Utilized during the year	**(200,099)**	**(2,862)**	**(202,961)**	(174,113)	(36,233)	(210,346)
As at 31st December	**152,876**	**3,481**	**156,357**	118,973	7,243	126,216
Non-current liabilities	**—**	**2,583**	**2,583**	—	2,418	2,418
Current liabilities	**152,876**	**898**	**153,774**	118,973	4,825	123,798
Total	**152,876**	**3,481**	**156,357**	118,973	7,243	126,216

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 31st December 2015 and 2014 have 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.

The restructuring provision primarily refers to restructuring projects put in place subsequent to the acquisition of 70% equity interest and the remaining 30% equity interest in TP Vision Group in 2012 and 2014 respectively, including the business model optimization plan whereby some of the European subsidiaries are restructured to become branches under a single billing entity. These restructuring programs were decided and announced before the respective year-end date. During the year ended 31st December 2015, a reversal of restructuring costs of US$702,000 (2014: provision of US$15,792,000) was made. An amount of US$2,732,000 (2014: US$36,075,000) was utilized in 2015. An amount of US$753,000 (2014: US$4,711,000) is expected to be utilized within the next twelve months.

34 DERIVATIVE FINANCIAL INSTRUMENTS

	2015		2014	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000 (Restated — Note 2.2)
Foreign exchange forward and options contracts (Note a)	**233,486**	**(173,406)**	131,157	(95,610)
Cross currency interest rate swap	**—**	**—**	10,560	—
	233,486	**(173,406)**	141,717	(95,610)
Less non-current portion:				
— Foreign exchange forward and options contracts (Note a)	**63,161**	**(44,834)**	52,617	(42,307)
Current portion	**170,325**	**(128,572)**	89,100	(53,303)

Changes in fair values of derivative financial instruments are recorded in 'other losses, net' in the consolidated income statement (Note 7).

Note:

(a) Foreign exchange forward and options contracts

The total notional principal amounts of the outstanding foreign exchange forward and options contracts as at 31st December 2015 and 2014 are as follows:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
Sell US dollar for Renminbi	**6,731,800**	5,743,900
Sell Renminbi for US dollar	**6,144,800**	5,605,900
Sell Euro for US dollar	**1,268,782**	2,505,398
Sell Brazilian real for US dollar	**486,720**	186,537
Sell Russian ruble for US dollar	**55,000**	105,000
Sell Indian rupee for US dollar	**70,000**	81,000
Sell Chilean peso for US dollar	**40,000**	49,000
Sell Peruvian nuevo sol for US dollar	**—**	25,000
Sell Mexican peso for US dollar	**—**	24,000
Sell Polish zloty for US dollar	**—**	24,000
Sell US dollar for Euro	**—**	52,930
Sell Polish zloty for Euro	**—**	41,313
Other currency pairs	**1,280**	47,012
Total	**14,798,382**	14,490,990

35 PLEDGE OF ASSETS

As at 31st December 2015, the Group's bank deposits of US$3,670,000 (2014: US$3,961,000) was pledged as security primarily for banking facilities of the Group for which US$3,670,000 (2014: US$3,961,000) have been utilized. In case the Group defaults under the facility agreements, the banks have the right to seize the pledged bank deposits.

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Operating profit	**58,980**	49,612
Depreciation of property, plant and equipment	**137,333**	152,348
Amortization of land use rights	**444**	1,596
Amortization of intangible assets	**26,791**	48,856
Losses on disposals of property, plant and equipment and land use rights — net (Note i)	**1,431**	2,339
Share options granted to a director and employees	**26**	418
Net unrealized exchange losses	**181,882**	39,837
Fair value gains on revaluation of investment properties	**(2,186)**	(4,103)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(19,483)**	722
Gains on disposals of financial assets at fair value through profit or loss	**(6,812)**	(7,250)
Gains on disposal of available-for-sale financial assets	**(773)**	—
Impairment losses on property, plant and equipment	**1,181**	2,307
Impairment losses on trademarks and patents	**8,321**	46,183
Impairment losses on available-for-sales financial assets	**263**	—
Release of trademark license fee payable	**(2,753)**	(44,925)
Gains on remeasurement of contingent consideration payable	**(3,758)**	(11,626)
Gain on disposal of a subsidiary	**(6,942)**	—
Operating profit before working capital changes	**373,945**	276,314
Changes in working capital (excluding the effects of acquisition, disposal and exchange differences on consolidation):		
— inventories	**57,722**	(127,462)
— trade receivables	**(115,927)**	58,871
— deposits, prepayments and other receivables	**159,368**	(42,824)
— trade payables	**(149,109)**	120,518
— provisions, other payables and accruals and pension obligations	**(77,602)**	(104,893)
Net cash generated from operations	**248,397**	180,524

Note (i): In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment and land use rights comprise:

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Net book amount of property, plant and equipment (Note 15)	**9,924**	4,565
Net book amount of land use rights (Note 16)	**—**	1,524
Losses on disposals of property, plant and equipment and land use rights — net (Note 7)	**(1,431)**	(2,339)
Proceeds from disposals of property, plant and equipment and land use rights	**8,493**	3,750
Cash received from other receivables resulted from disposal in 2013	**51,582**	32,304
Total proceeds from disposals of property, plant and equipment and land use rights	**60,075**	36,054

37 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, lawsuits, investigations, and legal proceedings that arise from time to time. Although the directors do not expect that the outcome in any of these legal proceedings will have a material adverse effect on the Group's financial position or results of operations, litigation is inherently unpredictable. The directors are of the opinion that the details of these legal and other proceedings are sensitive and disclosures are therefore not set out in full.

(a) 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.

(b) 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.

(c) 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.

(d) In May 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 I").

On 29th September 2015, the US International Trade Commission confirmed no violation of Section 337 on its Final Determination, and thus terminated the investigation.

(e) 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.

In January 2016, the Company and the third party entered into a commercial settlement to dismiss the contractual dispute. The directors are of opinion that the net settlement amount is not significant and has been recognized in the income statement in December 2015. The Company considers the terms and settlement amount are confidential and sensitive, therefore full disclosure is not set out in the financial statements.

(f) In November 2014, a third party company filed a complaint in Germany against the Group. The complaint concerns claims of damages related to alleged infringement of a patent in respect of LED technology by certain computer monitors ("Patent II").

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

(i) they had infringed Patent II by manufacturing, using, distributing, offering and importing monitors in Germany; and

(ii) as a consequence of the infringement, the plaintiff is entitled to compensation for damages.

On 1st February 2016, both parties reached a settlement agreement to dismiss the case.

(g) In December 2014, a third party company filed a complaint in the United States of America against the Group and one of its associated companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions and monitors ("Patent III").

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

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

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

37 CONTINGENT LIABILITIES (CONTINUED)

(h) In July 2015, a third party company filed a complaint in the United States of America against the Group and one of its associated companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent IV").

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 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.

There are certain transactions or calculations for which the ultimate tax determination is uncertain as disclosed in Note 4.1(a).

38 COMMITMENTS

(a) Capital commitments

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

	2015	2014
	US$'000	US$'000
Property, plant and equipment and other non-current assets	**16,759**	44,243
Investment properties	**17,837**	27,140
	34,596	71,383

(b) Operating lease commitments — Group as lessee

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

	2015	2014
	US$'000	US$'000
Not later than one year	**15,600**	20,899
Later than one year and no later than five years	**26,748**	33,829
Later than five years	**13,486**	15,237
	55,834	69,965

(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 15 years, and the majority of lease arrangements are renewable at the end of the lease period.

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

	2015	2014
	US$'000	US$'000
No later than one year	**7,546**	5,895
Later than one year and no later than five years	**13,451**	14,047
Later than five years	**13,818**	14,134
	34,815	34,076

39 DISPOSAL OF SUBSIDIARY

In September 2015, TVI, a subsidiary of the Company, entered into an agreement with Inventec (Cayman) Corporation and agreed that as from the date of the agreement, the Company will not control TPV-INVENTA Holding Limited. Upon completion, the transaction contemplated under the agreement is regarded as a deemed disposal of TPV-INVENTA Holding Limited and its subsidiaries and their financial results will no longer be consolidated into the financial statements of the Group.

Analysis of assets and liabilities over which control was lost:

	US$'000
Intangible assets	142
Property, plant and equipment	2,768
Deferred income tax assets	2,269
Inventories	11,743
Trade receivables	89,827
Deposit, prepayment and other receivables	107,309
Other current assets	19,453
Trade payables	(148,674)
Other payables and accruals	(58,138)
Provisions	(2,811)
Borrowings and loans	(37,500)
Net liabilities disposed of	(13,612)
Non-controlling interests	6,670
Gain on disposal of a subsidiary (Note 7)	6,942
Consideration	—

An analysis of the outflow of cash and cash equivalents, which is included in other current assets, in respect of the disposal of subsidiary is as follows:

	US$'000
Cash consideration received	—
Cash and cash equivalents disposed of	17,743
Outflow of cash and cash equivalents in respect of the disposal of subsidiary	17,743

40 BUSINESS COMBINATION OF ENTITIES UNDER COMMON CONTROL

On 5th June 2015, TVI and Top Victory Electronics (Fuqing) Company Limited, both being wholly-owned subsidiaries of the Company entered into the Sales and Purchase Agreement with Shenzhen SED Industry Company Limited, Sang Fei (BVI) Limited and China CEC International Information Service Company Limited, pursuant to which the Group agreed to acquire the entire issued shares of Sang Fei for a total consideration of RMB45,000,000 (approximately US$7,025,000). The acquisition was completed on 31st August 2015.

As both the Company and the four acquirees are under the common control of CEC before and after the acquisition, the transaction is accounted for as common control business combinations, using merger accounting for all periods presented herein. The details of subsidiaries acquired from acquisition of business under common control in 2015 is disclosed in Note 18.

The following is a reconciliation of the effect arising from the common control business combinations on the consolidated balance sheet.

The extract of consolidated balance sheet as at 31st December 2015 is as follows:

	Group (before 2015 common control business combinations) US$'000	Four common control entities acquired in 2015 US$'000	Adjustments (Note) US$'000	Consolidated US$'000
Investments in four common control entities acquired in 2015	7,025	—	(7,025)	—
Other assets, net	1,637,806	(7,699)	—	1,630,107
Net assets	1,644,831	(7,699)	(7,025)	1,630,107
Share capital	23,456	75,179	(75,179)	23,456
Share premium	759,464	—	—	759,464
Capital reserve	68,202	9,912	(9,912)	68,202
Share redemption reserve	12	—	—	12
Employee share-based compensation reserve	19,951	—	—	19,951
Exchange reserve	(150,847)	21,583	1,328	(127,936)
Reserve fund	103,185	7,306	(7,306)	103,185
Merger difference	10,001	—	35,440	45,441
Available-for-sale financial assets fair value reserve	482	—	—	482
Assets revaluation surplus	41,387	—	—	41,387
Other reserves	(142,564)	—	—	(142,564)
Retained profits	905,572	(121,679)	48,604	832,497
Non-controlling interests	6,530	—	—	6,530
Total	1,644,831	(7,699)	(7,025)	1,630,107

Note:

The above adjustments represent: (i) the elimination of investments in the four common control entities acquired in 2015 of US$7,025,000; and (ii) the elimination of the capital injection from original shareholders of US$10,087,000. As stated in Sales and Purchase Agreement, if the net asset value of Sang Fei Group at completion date is less than RMB15,000,000 (approximately US$2,342,000), the original shareholders undertake to the pay for the shortfall by injecting cash into Sang Fei Group.

40 BUSINESS COMBINATION OF ENTITIES UNDER COMMON CONTROL (CONTINUED)

The extract of consolidated balance sheet as at 31st December 2014 is as follows:

	Group (before 2015 common control business combinations) US$'000	Four common control entities acquired in 2015 US$'000	Adjustments (Note) US$'000	Consolidated US$'000 (Restated — Note 2.2)
Net assets	1,670,162	(5,769)	—	1,664,393
Share capital	23,456	75,179	(75,179)	23,456
Share premium	759,464	—	—	759,464
Capital reserve	68,202	(175)	175	68,202
Share redemption reserve	12	—	—	12
Employee share-based compensation reserve	19,925	—	—	19,925
Exchange reserve	(122,057)	11,715	1,328	(109,014)
Reserve fund	96,174	7,306	(7,306)	96,174
Merger difference	10,001	—	32,378	42,379
Available-for-sale financial assets fair value reserve	479	—	—	479
Assets revaluation surplus	41,387	—	—	41,387
Other reserves	(142,915)	—	—	(142,915)
Retained profits	924,222	(99,794)	48,604	873,032
Non-controlling interests	(8,188)	—	—	(8,188)
Total	1,670,162	(5,769)	—	1,664,393

Note:

The above adjustments represents the increase of the merger difference for acquisitions of the net liabilities of the four common control entities acquired in 2015.

41 RELATED PARTY TRANSACTIONS

As at 31st December 2015, the major shareholders of the Company are CEC, Mitsui & Co., Ltd. ("Mitsui") and Innolux Corporation ("Innolux"), which owned 37.05%, 18.20% and 6.42% of the Company's issued shares respectively.

The Group is controlled by CEC, which indirectly owns 37.05% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

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

41 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its associates, joint venture, and its substantial shareholders, CEC, Mitsui and Innolux during the years ended 31st December 2015 and 2014.

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:

	2015	2014
	US$'000	US$'000 (Restated — Note 2.2)
Sales of goods to associates	**357,806**	335,193
Sales of goods to CEC and its subsidiaries	**7,969**	26,675
Sales of goods to Innolux and its subsidiaries	**—**	134
Purchases of goods and services from associates (Note i)	**(188,495)**	(200,608)
Purchases of goods from CEC and its subsidiaries	**(168,426)**	(185,725)
Purchases of goods from Innolux and its subsidiaries	**(631,455)**	(1,095,835)
Rental income from associates	**2,162**	2,140
Royalty paid to CEC and its subsidiaries	**(275)**	(307)
Capital investment with CEC and its subsidiaries (Note ii)	**—**	22,757
Reimbursement of warranty cost from an associate	**3,609**	—
Interest income from CEC and its subsidiaries	**71**	200
Interest expense to CEC and its subsidiaries	**(359)**	(525)
Rental expense to CEC and its subsidiaries	**(588)**	(1,791)
Fixed assets transfer to CEC and its subsidiaries	**3,532**	119

The above information only presents the transactions with these companies for the period when they are categorized as related parties.

(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 year the Group entered into the sub-contracting arrangement with Chi Lin, under which spare parts amounted to US$323,578,000 (2014: US$280,122,000) were transferred to Chi Lin for further processing and finished goods amounted to US$416,352,000 (2014: US$400,688,000) were purchased back from Chi Lin.

(ii) The amount represented the capital investment in Nanjing JV amounting to RMB140,000,000 for the year ended 31st December 2014, as set out in Note 24.

(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:

	2015	2014
	US$'000	US$'000
Salaries and other short-term employee benefits	**4,139**	3,843
Termination benefits	**—**	130
Share-based payments	**4**	92
	4,143	4,065

41 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balances

	2015 US$'000	2014 US$'000 (Restated — Note 2.2)
Receivables from associates (Note i)	**86,888**	133,924
Receivables from substantial shareholders and their subsidiaries (Note i)		
— CEC and its subsidiaries	**143**	304
— Innolux and its subsidiaries	**—**	24
	143	328
Payables to associates (Note ii)	**78,475**	103,375
Payables to substantial shareholders and their subsidiaries (Note ii)		
— CEC and its subsidiaries	**26,082**	56,615
— Innolux and its subsidiaries	**50,723**	102,319
	76,805	158,934

Notes:

(i) Receivables from associates and substantial shareholders were mainly presented in the consolidated balance sheet within 'trade receivables'. Provision of US$8,993,000 was made against a trade receivable from an associate as at 31st December 2014 (Note 23). The general credit term for the receivables is from 60 days to 120 days after the date of sales. The receivables are unsecured in nature and bear no interest. This associate was liquidated during the year ended 31st December 2015 and the provision was fully reversed.

(ii) Payables to associates and substantial shareholders were presented in the consolidated balance sheet within 'trade payables' and 'other payables and accruals'. The payables bear no interest with repayment date due within one year.

42 EVENTS AFTER THE BALANCE SHEET DATE

(a) Restructuring programmes in Brazil and Belgium

On 13th January 2016, Envision Indústria de Produtos Eletrônicos Ltda, a wholly owned subsidiary of the Group in Brazil, announced certain restructuring measures to transfer its operations located in the city of Jundiai (State of Sao Paulo) for the production of IT products to an existing plant in the city of Manaus (State of Amazon), which is currently used by the Group for production of TVs. The directors of the Company expect to incur costs of US$6,000,000 in relation to this restructuring during 2016.

On the same date, the Group also announced the conversion of the Innovation and Development Center in Ghent, Belgium, into an innovation, development and technical support center. Some of the activities at the site will be transferred to the existing innovation and development centers of the Group in China and Taiwan. The directors of the Company expect to incur costs of US$47,000,000 in relation to this restructuring during 2016.

(b) Extension of the Trademark Licence Agreement

On 24th November 2015, AOC Holdings Limited ("AOC"), a wholly owned subsidiary of the Group, and Philips entered into an agreement to amend the terms of the Trademark Licence Agreement dated 29th September 2010 which will expire on 31st December 2015. This agreement is effective from 1st January 2016. The key amendments include amending the royalty rate and the guaranteed minimum annual royalty payable under the Trademark Licence Agreement, certain changes in relation to consumer case and extending the term of the Trademark Licence Agreement until 31st December 2020. The extension of the Trademark Licence Agreement grants AOC and its affiliates the right to use Philips' Trademark in relation to the manufacture and sale of TVs in China for a further five-year period, through royalty payment on an annual basis. The directors of the Company expect to recognize intangible assets and licence fee payable in the year ended 31st December 2016.

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December 2015 US$'000	2014 US$'000
Assets			
Non-current asset			
Investment in a subsidiary		**59,066**	59,066
Amounts due from subsidiaries		**859,261**	859,287
		918,327	918,353
Current assets			
Amount due from a subsidiary		**4,080**	5,951
Cash and cash equivalents		**268**	271
		4,348	6,222
Total assets		**922,675**	924,575
Equity			
Equity attributable to owners of the Company			
Share capital		**23,456**	23,456
Other reserves	(a)	**896,322**	898,986
		919,778	922,442
Liability			
Current liability			
Other payables and accruals		**2,897**	2,133
Total equity and liabilities		**922,675**	924,575

The balance sheet of the Company was approved by the Board of Directors on 17th March 2016 and was signed on its behalf.

Dr Hsuan, Jason
Director

Ms Wu Qun
Director

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2015	**759,464**	**12**	**19,925**	**11,433**	**108,152**	**898,986**
Profit for the year	**—**	**—**	**—**	**—**	**312**	**312**
Employee share option scheme:						
— Employee share-based compensation benefits	**—**	**—**	**26**	**—**	**—**	**26**
2014 final dividends paid	**—**	**—**	**—**	**—**	**(3,002)**	**(3,002)**
At 31st December 2015	**759,464**	**12**	**19,951**	**11,433**	**105,462**	**896,322**
At 1st January 2014	759,464	12	19,507	11,433	112,050	902,466
Loss for the year	—	—	—	—	(896)	(896)
Employee share option scheme:						
— Employee share-based compensation benefits	—	—	418	—	—	418
2013 final dividends paid	—	—	—	—	(3,002)	(3,002)
At 31st December 2014	759,464	12	19,925	11,433	108,152	898,986

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the share capital of the subsidiary acquired pursuant to the Reorganization and the value of the consolidated net assets of the subsidiary acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, as well as the issued share capital and premium is less than the realizable value of its assets.

44 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors for the year ended 31st December 2015 is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits (Note iv)	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Dr Hsuan, Jason (Note i)	—	313	197	—	—	—	—	—	510
Mr Liu Liehong	—	—	—	—	—	—	—	—	—
Ms Wu Qun	—	—	—	—	—	—	—	—	—
Mr Du Heping (Note ii)	—	—	—	—	—	—	—	—	—
Dr Li Jun	—	—	—	—	—	—	—	—	—
Mr Hideki Noda	—	—	—	—	—	—	—	—	—
Ms Bi Xianghui (Note iii)	—	—	—	—	—	—	—	—	—
Mr Chan Boon Teong	116	—	—	—	—	—	—	—	116
Dr Ku Chia-Tai	77	—	—	—	—	—	—	—	77
Mr Wong Chi Keung	77	—	—	—	—	—	—	—	77

The remuneration of the directors for the year ended 31st December 2014 is set out below:

Certain of the comparative information of directors' emoluments for the year ended 31st December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits (Note iv)	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Dr Hsuan, Jason (Note i)	—	315	362	—	11	—	—	—	688
Mr Liu Liehong	—	—	—	—	—	—	—	—	—
Dr Li Jun	—	—	—	—	—	—	—	—	—
Mr Lu Ming	—	—	—	—	—	—	—	—	—
Mr Jun Nakagome	—	—	—	—	—	—	—	—	—
Mr Du Heping (Note ii)	—	—	—	—	—	—	—	—	—
Mr Hideki Noda	—	—	—	—	—	—	—	—	—
Ms Wu Qun	—	—	—	—	—	—	—	—	—
Mr Chan Boon Teong	116	—	—	—	—	—	—	—	116
Dr Ku Chia-Tai	77	—	—	—	—	—	—	—	77
Mr Wong Chi Keung	77	—	—	—	—	—	—	—	77

44 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) Dr Hsuan, Jason is also the chief executive officer of the Company.

(ii) Mr Du Heping resigned as directors of the Company during the year ended 31st December 2015.

(iii) Ms Bi Xianghui was appointed as directors of the Company during the year ended 31st December 2015.

(iv) Other benefits represents share-based payment.

During the year, no director waived any emoluments.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31st December 2015 and 2014.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2015 and 2014.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31st December 2015 and 2014, no consideration was paid by the company to third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31st December 2015 and 2014, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31st December 2015 and 2014 or at any time during the years ended 31st December 2015 and 2014.

Five-Year Financial Summary

	2015	2014	2013	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000
		(Restated)	(Note)	(Note)	(Note)
Results					
(Loss)/profit attributable to owners of the Company	**(31,337)**	(5,460)	(47,246)	112,408	120,398
Assets and liabilities					
Total assets	**5,931,579**	6,453,138	6,258,694	6,448,500	5,256,703
Total liabilities	**(4,301,472)**	(4,788,745)	(4,560,664)	(4,551,376)	(3,430,625)
Net assets	**1,630,107**	1,664,393	1,698,030	1,897,124	1,826,078

Note: The comparative amounts for the years ended 31st December 2013, 2012 and 2011 in the financial summary have not been restated using merger accounting for common control business combinations.