ANNUAL REPORT

2016

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
Dr Li Jun
Ms Jia Haiying
Ms Bi Xianghui

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 China Limited
Bank SinoPac
China Construction Bank Corporation
CTBC Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
JPMorgan Chase Bank, N.A.
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 AND TRANSFER AGENT

Estera Management (Bermuda) Limited
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

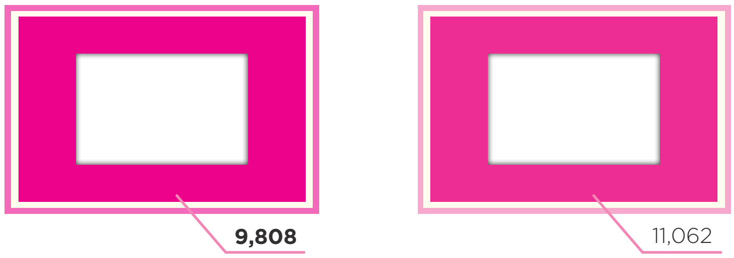
www.tpv-tech.com

Contents

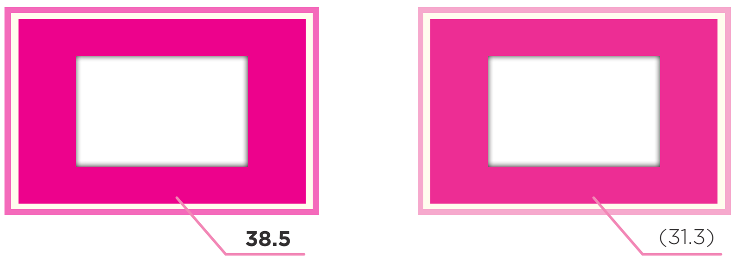
Financial Highlights

2016 | 2015

CONSOLIDATED REVENUE
(US$ MILLION)

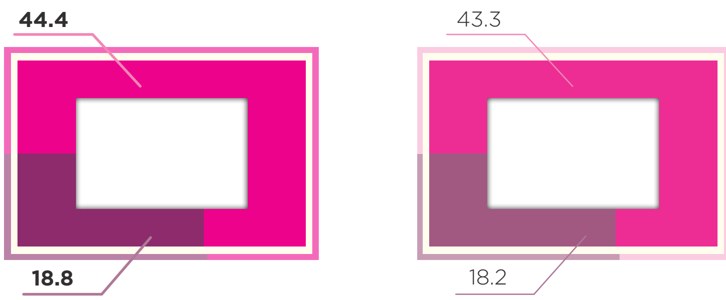


PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY
(US$ MILLION)



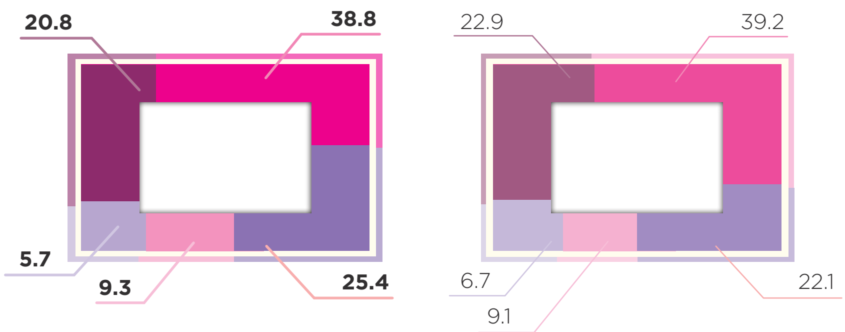
SHIPMENT BY PRODUCT SEGMENT
(MILLION UNITS)

- Monitor
- TV



REVENUE BY GEOGRAPHIC REGIONS
(%)

- Europe
- PRC
- North America
- South America
- Rest of the World



	2016	2015	2014	2013	2012
OPERATING RESULTS (US$'000)					
Consolidated revenue	**9,808,337**	11,061,525	11,908,077	11,972,698	11,974,836
Profit/(loss) attributable to owners of the Company	**38,523**	(31,337)	(5,460)	(47,246)	112,408
Basic earnings/(loss) per share (US cents)	**1.64**	(1.34)	(0.23)	(2.01)	4.79
Dividends per share (US cents)	**0.49**	0.128	0.128	0.128	1.430

	2016	2015	2014	2013	2012
FINANCIAL POSITION (US$'000)					
Total assets	**5,787,819**	5,931,579	6,453,138	6,258,694	6,448,500
Cash and bank balances	**630,010**	453,625	506,213	364,560	497,871
Total borrowings and loans	**535,238**	587,046	488,520	523,796	422,352
Equity attributable to owners of the Company	**1,669,055**	1,623,577	1,672,581	1,767,126	1,874,899

	2016	2015	2014	2013	2012
KEY FINANCIAL RATIOS					
Inventory turnover (days)	**54.4**	48.9	47.1	45.7	40.6
Trade receivables turnover (days)	**73.4**	70.2	68.2	69.7	71.9
Trade payables turnover (days)	**89.2**	84.8	82.6	77.9	72.6
Return on equity (%)	**2.3**	n/a	n/a	n/a	6.0
Return on assets (%)	**0.7**	n/a	n/a	n/a	1.9
Current ratio (%)	**120.9**	117.7	109.2	110.8	121.6
Gearing ratio* (%)	**14.5**	16.0	15.6	12.8	12.2
Interest coverage (times)	**3.6**	1.1	0.8	0.1	2.8
Dividend payout ratio (%)	**29.8**	n/a	n/a	n/a	29.8

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

Chairman's Statement

We will continue to build on the restructuring activities carried out in 2016 to regrow the business.

DEAR SHAREHOLDERS,

The year 2016 was marked by political and economic transition on a global scale. The United Kingdom's decision to leave the European Union, the United States' presidential election and China's economic slowdown all had an impact on global economic development. In the display industry, the sharp panel price movements and tight supply during the year posed challenges for brands and manufacturers alike. After a rapid decline in the first three months of the year, panel prices stabilised and began to rise in the second quarter. Prices surged in the second half of the year and ended at similar levels as they were at the end of 2015. Despite this, I am pleased to report that we were able to overcome these challenges and TPV has returned to profitability, thanks to the dedication of our people. The Group recorded a profit of US$38.5 million for shareholders in the fiscal year 2016.

In 2016, we continued to improve our competitiveness by optimising our operations and efficiency through two major restructuring projects. First, we reorganised the functionality of our innovation and development ("I&D") centre in Europe, transferring some of its product development functions to the Group's I&D centres in Taipei and Xiamen. This not only helped lowering development costs, it also strengthened the competence of our engineers in Asia through knowledge transfer. Moreover, the move has speeded up the development process and enabled engineers to address issues immediately during production. Second, we merged our two factories in Brazil into one, which helped raise production and management efficiency, and saved cost. These two reorganisations were completed and the one-time restructuring charge of US$53 million was booked fully in the year. From 2017 onwards, these measures will create annual savings of over US$30 million.

I am also delighted to report that our TV team rose to the challenge and succeeded in what was undoubtedly a difficult operating environment. In addition to a subdued demand and fierce competition, the spiralling panel prices and limited supply had added immense pressure on TV brands and manufacturers like us. We were compelled to keep pace with cost changes and inventory management, in order to fulfil our commitments to our customers and our brands.

Furthermore, I'm pleased to share that Philips TV has become the best-selling foreign TV brand in China, with a 5.2 percent market share at the end of 2016 (2015: 3.7 percent). Performance of Philips TV in core markets like Europe and Latin America also improved significantly. In Europe, Philips was the only tier-1 brand gaining market share and it is one of the leaders in the 55-inch-and-above segment. The Group is poised to benefit from the growing demand for large-screen TVs in the continent. I am glad to see the business is moving in the right direction and will make a valuable contribution to the Group's earnings in the coming years.

Once again, we outperformed expectations in the monitor segment. Despite an 1 percent decline in global shipments, TPV's monitor shipments grew 2.7 percent to over 44 million units. We also increased our share in the growing public display market where we shipped approximately half a million units out of the worldwide shipments of about 3 million units in 2016. The segment is set to grow at around 10 percent over the next three years. It is our intention to increase our share of the market in both the ODM and own-brand segments. Besides this, we are also penetrating into the high-end product segments such as gaming hardware. Last year, we launched the AGON gaming monitor, designed to produce exquisite visuals with lightning-fast reaction times for a completely new user experience. We shall continue to venture into specialty monitor segments such as medical, POS (point-of-sales) and automobile displays. Furthermore, we are co-working with a world renowned tech company to launch their interactive displays in 2017. The new product is equipped for online collaboration and designed for use in an office conference room setting. All these developments will create new growth opportunities for the Group in the monitor segment.

We expect that the operating environment in 2017 will be as challenging as last year. National elections or referendums in several European countries and the economic policies of the United States under President Trump may bring instabilities to the global economy and the currency market. Although China's economy is now showing signs of stabilisation but further depreciation of the Renminbi could discourage consumption and lead to capital outflow, which is unfavourable to business.

Nevertheless, panel prices should stabilise as supply and demand reach equilibrium, even though plenty of new panel capacities are coming on stream in the next couple of years. I believe that the growing popularity of LCD displays, coupled with increasing demand for large-screen displays, will absorb the expanding capacity.

For the TV market, iHS has forecasted that worldwide shipments will increase slightly to 226 million sets in 2017. Large sizes — those with 55-inch screens or greater — will be the highest growth segment, achieving a 13 percent growth rate. In addition, OLED TVs will be another market focal point because many tier-1 brands have already showcased their OLED TVs at tradeshows, and these will be ready for production in 2017. On the other hand, the monitor market is expected to be stable over the coming year, with the annual shipment figure set to reach 123 million units. The bright spot in the sector will be the public display monitor segment.

In the past few years, we have streamlined our branding business, redefined its product strategy and rejuvenated the distribution channels. We are seeing positive returns on our investment. In the coming year, we will continue to build on the restructuring activities carried out and completed in 2016 to regrow the business. We recently renewed our license to distribute Philips-brand TVs worldwide (excluding North America, India and selected countries in South America, whilst China is under another separate license arrangement). We also plan to re-enter certain European markets and to explore new ones in Asia Pacific. The Philips brand is currently a key player in the 50-inch-or-above ultra-high definition ("UHD") market in Europe, and we will build on the growth momentum to increase our shipments in this segment embracing TPV's heritage of innovation and excellent customer service. There will also be a shift in core offerings, from small-to-mid-size to mid-to-large-size Philips TVs for the China market. In addition, we will supplement our online-to-offline sales strategy with extra sales points in chain stores located in major cities, further expanding our market share.

Chairman's Statement

APPRECIATION

I convey my sincere thanks to our shareholders, customers, partners and employees for the tremendous support given throughout 2016. I would also like to thank the Board of Directors for their valuable guidance and advice. Additionally, a special mention goes to Mr Hideki Noda and Ms Wu Qun, who resigned from their non-executive director positions, and a warm welcome to Ms Jia Haiying. What made 2016 a great success, despite numerous challenges, was the dedication and positive belief demonstrated by our individuals and teams. With their continued efforts, TPV can look forward to a rewarding future.

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 16th March 2017

Management Discussion and Analysis

INDUSTRY REVIEW

2016 has been another challenging year for the display industry. Impacted by global political and economical uncertainties, worldwide shipments for the TV sector remained flat, standing at 223 million sets (2015: 224 million sets), while shipments for the monitor sector reduced to 125 million units, representing a year-on-year contraction of about 1 percent.

In addition to the sluggish global demand, panel prices for the year were also very volatile. After rapid erosion in the first quarter, panel prices began to rise in the second quarter and surged during the second half of the year, resulting in TV panel prices regaining between 10 and 30 percent from their low points earlier in the year. Monitor panel prices also rebounded sharply, increasing between 10 and 25 percent across the mainstream sizes. These price hikes were partly due to the closing of a 7.5G panel factory. The situation was aggravated by a tight supply in popular sizes, such as 32-inch, 40-inch and 43-inch screens in the latter part of the year. The result of this volatility throughout the year was that prices at the end of the year were at similar levels to the beginning of 2016 but lower than the corresponding period in the previous year.

GROUP PERFORMANCE

In 2016, despite adversities in the industries in which it operates, the Group continued to improve its financial results. This improvement was largely due to strategies it forged to enhance its profitability and strengthen competitiveness, including the introduction of changes to business fundamentals in sales realisation, inventory management and cost structure. Compared to the year before, the Group's profitability was significantly improved with gross profit ("GP") margin standing at 8.6 percent (2015: 7.9 percent), and profit attributable to shareholders of US$38.5 million, compared with a loss of US$31.3 million in 2015. These results were achieved notwithstanding a reduction in the consolidated revenue amounting to US$9.81 billion (2015: US$11.06 billion), partly due to the disposal of our majority shareholding in the All-in-One PC business in the second half of 2015, resulting in a US$0.5 billion reduction in revenue year-on-year, and partly due to the lower average selling prices ("ASPs") of its TV and monitor segments caused by the declining prices of panel.

In addition, the Group's cost structure was enhanced by the transformation and restructurings carried out over the past few years. Operating expenses for the year reduced by 15.6 percent compared to 2015 if one-off restructuring charges of US$53.2 million (2015: nil) were excluded. Consequently, operating profit more than doubled the previous year's, standing at US$124.7 million (2015: US$59 million). Moreover, the improved operating cash flow reduced the needs of external financing and net finance costs came down by 42 percent from the year before. Furthermore, the relatively favourable currency movement during the year resulted in an almost 20 percent reduction in the Group's foreign exchange loss. All these factors strengthened the Group's earnings fundamentals and resulted in a six times increase in profit before tax over the previous year, standing at US$101.3 million (2015: US$14.3 million).

China continued to be the largest revenue contributor with a turnover of US$3.81 billion (2015: US$4.33 billion) or 38.8 percent (2015: 39.2 percent) of total. Europe became the second largest contributor with revenue of US$2.49 billion (2015: US$2.44 billion), accounting for 25.4 percent (2015: 22.1 percent). Revenue from North America amounted to US$2.04 billion (2015: US$2.54 billion) and revenue from South America amounted to US$561 million (2015: US$745 million), representing 20.8 percent (2015: 22.9 percent) and 5.7 percent (2015: 6.7 percent) respectively. Turnover for the rest of the world was US$917 million (2015: US$1.01 billion).

Management Discussion and Analysis

TVs

During the period under review, the TV segment witnessed an overall improvement. Shipments increased modestly from the previous year's 18.2 million sets to 18.8 million sets. Nevertheless, segment revenue was lower at US$4.49 billion (2015: US$5.03 billion) due to an ASP of US$238.60 (2015: US$273.00) as a result of a continuing decrease in panel prices on yearly basis. Regardless, we achieved a higher GP margin of 8.6 percent (2015: 7.6 percent) attributable to increased shipments of big-screen TVs. In 2016, over half the TV shipments were for 40-inch models and above. Segment operating expenses decreased considerably due to synergies from various transformation exercises and tighter cost control. As a result, the segment adjusted operating loss narrowed to US$80.3 million (2015: US$86.1 million loss), including one-off restructuring charges of US$49 million (2015: nil).

Throughout 2016, the Group achieved excellent results in mainland China for the sales of Philips TVs. Shipments increased by 33 percent to 2.4 million sets (2015: 1.8 million sets), generating US$502.6 million in revenue, up approximately 16 percent from 2015. By the end of the year, Philips TVs commanded 5.2 percent (2015: 3.7 percent) market share in mainland China and it was the bestselling imported brand, attributable to our successful product strategy and online-to-offline sales model.

Performance in Brazil also showed encouraging signs owing to a much improved sales mix of AOC and Philips brand products, a streamlined operation and a stronger Brazilian real. Profitability in the Asia Pacific markets also increased, attributable to the introduction of high-end products, including smart and UHD TVs.

MONITORS

The monitor segment continued to be the Group's main pillar throughout 2016. Despite the global trend of decreasing monitor shipments due to declining PC demand, TPV's monitor shipments saw an upswing of 2.7 percent to 44.4 million units (2015: 43.3 million units), which resulted in increased market share. TPV dominated the sector with a market share of 35.4 percent (2015: 34.9 percent). The segment's total revenue of US$4.61 billion was slightly less than the previous year (2015: US$4.86 billion), attributable to a lower ASP of US$103.60 (2015: US$112.30) caused by reduced panel prices throughout the year. Despite this, the monitor segment recorded a higher GP margin of 9 percent (2015: 8.4 percent), attributable to a greater number of shipments of large-screen monitors and displays. The Group recorded an adjusted operating profit of US$174.1 million (2015: US$139.6 million) for this segment.

During the year, there was an encouraging performance from our public display business. In Europe, the Group gained additional traction and we now have a 10 percent share of the market, while shipments to North America increased by 65 percent year-on-year. As a result of these gains, total shipments of public display units increased by about 20 percent compared with 2015. The Group also developed our B2B market further to increase profit and provide stability during quieter periods.

OPERATIONS REVIEW

2016 witnessed a significant number of changes to the Group's operations, including the implementation of a product and sales strategy to rejuvenate the organisation as a whole. This included "hardware" — organisation structure and production facilities, and "software" — culture and employee mindset. The Group carried out two major restructuring projects in Europe and Brazil. These were:

— Converting the I&D centre in Ghent, Belgium, into an innovation, development and technical support centre. Some of the innovation activities were transferred to I&D centres located in Taipei, Taiwan, and Xiamen, China. In order to enhance the Group's competitiveness and flexibility further, we sought to reduce costs by simultaneously training engineers in Asia.

— Consolidating two Brazilian manufacturing plants into one, and relocating the manufacturing of IT products from the factory in Jundai, to the factory in Manaus, which optimised production and raised efficiency.

These two projects were completed at the end of 2016 at a total cost of US$53.2 million and they are expected to result in over US$30 million savings annually from 2017 onwards.

As mentioned previously, 2016 also brought immense challenges to the Group's procurement activities due to panel price hikes and a supply shortage. The procurement team worked closely with the business teams to carry out regular demand planning and acted quickly to secure sufficient supply to meet demand.

Furthermore, as the Internet continues to increase penetration into our daily lives, demand has grown for the "Internet-of-things", more online content and greater connectivity. This has created business opportunities for the Group, and we incorporated these concepts into our production, sales and marketing processes. In the TV segment, the Group took several steps to embrace this new technology. We partnered with Internet content and service providers to enhance the width and depth of content and we installed high-performance chips in TVs to provide an interactive Internet service. Additionally, our engineers collected and integrated membership systems to provide — and improve — close-to-life services in the form of promotions, value-added services, interactive broadcasting and pre-and-post sales services. In the monitor segment, we utilised online platforms to increase sales and real-time market price checks, and we harnessed the power of social media to communicate effectively with our customers. We also collected marketing and advertising data through our public displays and hospitality products to help define future product innovation and aid marketing planning.

Regarding production, we integrated and centralised our supply chain management across our factories in China to optimise resources and improve efficiency. In addition, we created a real-time discussion platform for the I&D, procurement, manufacturing, sales and quality assurance elements of the business to share information and feedback. This allowed us to disseminate information and identify potential risk areas across the entire production process which could be addressed with immediate effect.

INNOVATION AND DEVELOPMENT

The Group emphasises the importance of innovation and invests in resources to encourage it. During 2016, we introduced a number of new products including the OLED 4K TV, which was launched under the Philips brand. Featuring Ambilight, the new sets deliver exceptional colour vibrancy and boast a huge contrast ratio, creating an immersive viewing experience previously unavailable on OLED sets. Another key product was AGON, a premium gaming monitor which incorporates high-performance chipsets, giving gamers clear and detailed graphics and sharper action sequences with a 1-millisecond response time. Furthermore, during 2016, we added 101 patents relating to TVs and monitors, which brings the Group's total number of patents to 842. In 2017, we will develop products which feature virtual reality and mixed reality.

Our dedication and focus to innovation and development has led us to garner several industry awards during 2016, in recognition of our outstanding designs and product features. These included the IFA Best Product Award, the ELSA Award 2016/2017 Best Buy Large Screen TV, the iF Awards, the Red Dot Awards and the Computex d&I Awards, among others. The Group has also earned great acclaim from its ODM customers, with TPV being chosen as their best supplier for major PC brands in the categories of product design, quality and service. This not only strengthened the Group's relationships with these long-term customers, but further galvanised our leading position in the monitor market.

Management Discussion and Analysis

HUMAN RESOURCES

At the end of 2016, the Group's total workforce was 30,129 (2015: 30,490). As in previous years, employees were remunerated in accordance with industry practices in the locations in which they are employed. Our employees are our most valuable assets, and TPV provided technical and soft-skill training to encourage them to relax and grow professionally, conduct research and develop their careers. We advocate a good work-life balance for all employees and during 2016, we organised a number of activities to help team building and to establish harmonious working and living environments.

RECENT DEVELOPMENT

In February 2017, the Group signed an investment agreement to establish a TV production line in Xianyang City, Shaanxi Province, China. The new facility will mainly produce 50-inch-or-above TVs, with an annual production capacity of 4 million units. Total investment will be approximately US$50 million and production is expected to commence in the middle of 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December 2016, the Group's cash and bank balances (including pledged bank deposits) totaled US$630 million (2015: US$453.6 million). Credit facilities granted by banks totaled US$4.10 billion (2015: US$4.22 billion), of which US$1.96 billion was utilised (2015: US$1.90 billion).

All the Group's debts were borrowed on a floating-rate basis. Of these, around 80 percent were denominated in US and Hong Kong dollars, while the remainder was held in Euros and other local currencies. The maturity profile of the Group's debts as at 31st December 2016 was as follows:

	As at 31st December 2016 (US$'000)	As at 31st December 2015 (US$'000)
Within one year	**163,695**	145,965
Between one and two years	**292,462**	176,905
Between two and five years	**79,081**	264,176
Total	**535,238**	587,046

As at 31st December 2016, the Group's gearing ratio, represented by the ratio of total borrowings and payables under discounting arrangement of total assets, was 14.5 percent (2015: 16 percent), whereas the current ratio increased to 120.9 percent (2015: 117.7 percent).

FOREIGN EXCHANGE RISK

The Group operates internationally and is subject to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Brazilian real, Euro, Russian ruble and the Argentine peso. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations. Furthermore, the conversion of Renminbi, Brazilian real, Russian ruble and Argentine peso into foreign currencies is subject to rules and regulations of exchange control enforced by the respective 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 these risks are set out in Notes 3.1(a)(i) and 34 in 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 2016.

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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 68.

PROPOSED FINAL DIVIDEND

The directors recommend the payment of a final dividend of US0.49 cent per ordinary share, totaling approximately US$11,494,000 for the year ended 31st December 2016.

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, 26th May 2017.

The dividend cheques will be distributed to shareholders on or about Tuesday, 6th June 2017.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Thursday, 25th May 2017 to Friday, 26th May 2017, 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, 24th May 2017 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, 24th May 2017 (as the case may be).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

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$527,190.

Report of the Directors

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; and (ii) the average closing price of the shares of the Company as stated in the Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

(7) Remaining life of the 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 2016**	**Exercised**	**Lapsed**	**As at 31st December 2016**
Director							
Dr Hsuan, Jason	18/01/2011	5.008	18/01/2012–17/01/2021	150,000	—	—	150,000
		(Note)	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	18/01/2012–17/01/2021	7,217,500	—	(1,950,000)	5,267,500
		(Note)	18/01/2013–17/01/2021	7,217,500	—	(1,950,000)	5,267,500
			18/01/2014–17/01/2021	7,217,500	—	(1,950,000)	5,267,500
			18/01/2015–17/01/2021	7,217,500	—	(1,950,000)	5,267,500
				29,470,000	—	(7,800,000)	21,670,000

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 2016. 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 percent 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 percent 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.

Report of the Directors

SHARE OPTION (CONTINUED)

(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 2016, including contributed surplus, amounted to approximately US$115,679,000 (2015: US$116,895,000).

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 159.

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)

Non-executive Directors

Mr Liu Liehong	(Note 3)
Dr Li Jun	(Note 3)
Ms Jia Haiying	(appointed on 16th March 2017) (Notes 2 and 3)
Ms Bi Xianghui	(Note 3)
Ms Wu Qun	(resigned on 16th March 2017) (Note 5)
Mr Hideki Noda	(resigned on 10th November 2016) (Note 6)

Independent Non-executive Directors

Mr Chan Boon Teong	(Notes 1, 3 and 4)
Dr Ku Chia-Tai	(Notes 1, 3 and 4)
Mr Wong Chi Keung	(Notes 1, 3 and 4)

DIRECTORS (CONTINUED)

Notes:

(1) In accordance with Bye-law 99 of the Company's Bye-laws, Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung 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 Jia Haiying 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) Ms Wu Qun has resigned from her position as a non-executive director and a member of each of Nomination Committee and Investment Committee of the Company with effect from 16th March 2017. Ms Wu has confirmed that she has no disagreement with the Board and that there is no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company.

(6) Mr Hideki Noda has resigned from his position as a non-executive director and a member of each of Investment Committee and Information Disclosure Committee of the Company with effect from 10th November 2016. Mr Noda 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.

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: 73)

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). Dr Hsuan is the brother-in-law of Dr Chen Nai-Yung, senior vice president and chief information officer of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr Liu Liehong
Non-executive Director (Age: 48)

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 director and general manager of China Electronics Technology Group Corporation and the chairman of the board, the executive director and chairman of strategic development and risk control committee of Great Wall Technology Company Limited ("GWT") 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 director and general manager of China Electronics Corporation ("CEC"), 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.

Dr Li Jun
Non-executive Director (Age: 41)

Dr Li graduated from Wuhan University with a doctorate's 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 and 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 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 each of the nomination committee, investment committee and information disclosure committee of the Company.

Ms Jai Haiying
Non-executive Director (Age: 48)

Ms Jia graduated from Hangzhou Institute of Electronics with a bachelor's degree in Engineering and obtained a title of senior accountant. With over 10 years' experience in financial management of group enterprises, Ms Jia is familiar with group financial management and control, financial strategic planning, comprehensive budget management, accounting information management, performance evaluation, capital operation, financial information management and others. Currently, she is the supervisor of the Asset Management Department of CEC, an executive director and the general manager of China Electronics (Shenzhen) Co., Ltd., a vice president of Shenzhen Great Wall Development Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange), an executive director and general manager of China Great Wall Computer Group Company and the chairwoman of China Electronic Finance Co., Ltd. She was previously appointed as a supervisor of the Finance Department of CEC and a director of China National Software and Service Company Limited. Ms Jia was appointed as a non-executive director of the Company in March 2017. She is also a member of the investment committee of the Company.

Directors (Continued)

Ms Bi Xianghui
Non-executive Director (Age: 40)

Ms Bi graduated from East China Jiaotong University with a master's 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 in August 2015. She is also a member of each of the remuneration committee, investment committee and information disclosure committee of the Company.

Mr Chan Boon Teong
Independent Non-executive Director (Age: 74)

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 each of the nomination committee, investment committee and information disclosure committee of the Company.

Dr Ku Chia-Tai
Independent Non-executive Director (Age: 74)

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 each of the audit committee, nomination committee and remuneration committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr Wong Chi Keung
Independent Non-executive Director (Age: 62)

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 and advising on securities for CASDAQ International Capital Market (HK) Company Limited under the SFO of Hong Kong.

Mr Wong has over 39 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, Nickel Resources International Holdings Company Limited (formerly known as 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, an independent non-executive director and a chairman of the audit committee Heng Xin China Holdings Limited (appointed on 17th October 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 China Internet Investment Finance Holdings Limited (formerly known as China Treasure (Greater China) Investments Limited), Fresh Express Delivery Holdings Group Co., Limited (formerly known as FU JI Food and Catering Services Holdings Limited), Great Wall Motor Company Limited, Imperial Pacific International Holdings Limited, (formerly known as First Natural Foods Holdings Limited) and PacRay International Holdings Limited (formerly known as 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 each of the 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: 60)

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: 66)

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management (Continued)

Mr Hsieh Chi-Tsung
Senior Vice President (Age: 65)

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 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: 64)

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 39 years.

Mr Wang Pi-Lu
Vice President and Chief Operational Officer (Age: 44)

Mr Wang, is in charge of factory operation, Quality Assurance, Customer Service, Manufacturing and 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: 52)

Mr Yang is in charge of ODM monitor business group. He graduated from Taiwan University with a Bachelor degree in Electrical Engineering. Prior to joining the Group in 2012, he worked for Advanced Micro Devices, Inc and Elitegroup Computer Systems Co., Ltd. for more than 20 years and was in charge of research & development, products, sales and operations of desktop business.

Mr Chen Yi-Jen
Vice President, Head of ODM TV BG (Age: 52)

Mr Chen, joined the Group in 2010, is in charge of ODM TV BG. With the bachelor's degree of Art, he 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 for 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: 47)

Mr Cheng, William, joined the Group in 2008, is in charge of Touch Display, Tablet Business Units and Mobile Business Units operations since 2013. Prior to current job in TPV, he was in charge of the 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's degree in Chemical Engineering and Yale University, U.S.A. with a master's degree in Material Science.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding 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 2016, 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 2016, none of the directors and chief executive of the Company had or was deemed to have any interest or short position in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code.

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the directors 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 2016, 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 the State-owned Assets Supervision and Administration Commission of the State Council.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 2016, 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 (Notes 1, 2)
China National Electronics Imp. & Exp. Corporation	251,958,647 (Notes 1, 2)
CEIEC (H.K.) Limited ("CEIEC HK")	251,958,647 (Notes 1, 2)
Mitsui & Co., Ltd. ("Mitsui")	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 and CEIEC HK are the registered holders of the aggregate of 869,088,647 Shares held within the CEC Group, of which 617,130,000 Shares are held by CEC, and 251,958,647 Shares are held by CEIEC HK. 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.

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	8.35%
— five largest customers combined	31.62%

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

Purchases

— the largest supplier	18.78%
— five largest suppliers combined	41.98%

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

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS (CONTINUED)

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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 39 to the consolidated financial statements also constituted connected transaction under the Listing Rules, required to be disclosed in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected party (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, have been made by the Company in accordance with the requirements of the Listing Rules.

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

The following transactions between the Group and the CEC 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 Renewed Trademarks Licensing and Sales Agency Agreement (details of which are contained in the Circular to shareholders dated 25th January 2016 (the "January 2016 Circular")).

At the special general meeting of shareholders held on 16th February 2016, 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 2016 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)	28th December 2015	The Renewed Trademarks Licensing and Sales Agency Agreement 1st January 2016– 31st December 2018	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 28th December 2015 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 0.5% 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$215,000	US$489,000

CONNECTED TRANSACTIONS (CONTINUED)

(2) 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 2016 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 Renewal Panda LCD Procurement Agreement 1st January 2015– 31st December 2017	Top Victory Investments Limited ("Top Victory"), 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 Top Victory 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 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$29,749,000	US$880,243,000

(3) 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 2016 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 SZIT Procurement Agreement 1st January 2015– 31st December 2017	Top Victory 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; and (v) in any event, no more favourable to the SZIT Group than price and the other terms available to independent third party customers.	US$5,801,000	US$13,730,000

CONNECTED TRANSACTIONS (CONTINUED)

(4) 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 2016 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	Shenzhen Sang Fei Consumer Communications Co., Ltd. ("Sang Fei"), a wholly-owned subsidiary of the Company 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	N/A
(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	N/A
(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	N/A
(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.	US$353,000	N/A

CONNECTED TRANSACTIONS (CONTINUED)

(5) 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 2016 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	N/A

(6) 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 2016 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$15,000	N/A

CONNECTED TRANSACTIONS (CONTINUED)

(7) 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 a non wholly-owned subsidiary of 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 2016 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 per month (equivalent to approximately US$37,436) for the period from 1st January 2015 to 30th June 2015 and RMB222,013 per month (equivalent to approximately US$35,809) for the period from 1st July 2015 to 31st December 2015 and RMB234,123 per month (equivalent to approximately US$37,762) for the period from 1st January 2016 to 31st December 2017. The Second Property RMB8,250 per month (equivalent to approximately US$1,331) for the period from 1st August 2015 to 31st December 2015 and RMB8,700 per month (equivalent to approximately US$1,403) for the period from 1st January 2016 to 31st December 2017 (subject to actual measurement of total rentable space).	US$383,000	N/A

CONNECTED TRANSACTIONS (CONTINUED)

(8) 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 2016 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	Top Victory 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 Top Victory 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. In any event the pricing and payment terms of the Products provided by the Nanjing Wally Group shall be no less favourable to the Top Victory Group than those offered by independent third party vendors.	US$17,081,000	US$71,100,000 (Note)

CONNECTED TRANSACTIONS (CONTINUED)

(9) 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 2016 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	Top Victory 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 Top Victory 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. In any event the pricing and payment terms of the Products provided by the Huizhou Kaifa Group shall be no less favourable to the Top Victory Group than those offered by independent third party vendors.	US$3,122,000	US$71,100,000 (Note)

Note: The aggregate annual cap of the NW Procurement Agreement & the HK Procurement Agreement for the year ended 31st December 2016 is US$71,100,000.

CONNECTED TRANSACTIONS (CONTINUED)

(10) Transaction with Shenzhen SED Coalition Electronics Co., Ltd. and its associates (the "SZSED Electronics Group")

The following transactions between the Group and the SZSED Electronics Group (a 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 Distribution Agreement (details of which are contained in the Circular to shareholders dated 25th January 2016 (the "January 2016 Circular")).

At the special general meeting of shareholders held on 16th February 2016, 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 2016 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)	28 December 2015	The Distribution Agreement 1 January 2016–31 December 2018	Sang Fei and Shenzhen SED Coalition Electronics Co., Ltd., a subsidiary of CEC	Pursuant to the Distribution Agreement, Sang Fei appointed SZSED Electronics Group as a non-exclusive distributor of the Philips Mobile Phones (as defined in January 2016 Circular) in PRC through regional distributors and dealers.	Pursuant to the Distribution Agreement, Sang Fei shall sell the Philips Mobile Phones to SZSED Electronics on a purchase-by-purchase basis. The price and specifications of the Philips Mobile Phones shall be specified in a purchase order, which includes name of products, purchase quantity, unit price and payment terms, to be issued by SZSED Electronics. The terms of the sales of the Philips Mobile Phones will be determined after arm's length negotiation between the parties to the Distribution Agreement. Under the Distribution Agreement, the pricing and other terms of the supply of the Philips Mobile Phones shall be on normal commercial terms and shall be no less favorable to Sang Fei than those applicable to sales by Sang Fei to any other distributors purchasing comparable products.	US$205,000	US$23,077,000

CONNECTED TRANSACTIONS (CONTINUED)

(11) Transaction with China Great Wall Computer Shenzhen Company Limited and its associates (the "CGCSZ Group")

The following transactions between the Group and the CGCSZ Group (a substantial shareholder of the Company, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000066), a 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 25th January 2016 (the "January 2016 Circular")).

At the special general meeting of shareholders held on 16th February 2016, 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 2016 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)	28 December 2015	The Supply Agreement 1 January 2016–31 December 2018	the Company and China Great Wall Computer Shenzhen Company Limited, a subsidiary of CEC	Pursuant to the Supply Agreement, the Company may supply, and CGCSZ may purchase, the AIO Products (as defined in January 2016 Circular).	Pursuant to the Supply Agreement, the Company shall sell the AIO Products to CGCSZ on a purchase-by-purchase basis. The price and specifications of the AIO Products shall be specified in a purchase order to be issued by CGCSZ to the Company. The price and other terms of the AIO Products shall be (i) on normal commercial terms; (ii) determined with reference to prevailing market prices; (iii) determined after arm's length negotiation; and (iv) in any event, no more favourable to CGCSZ than price and the other terms available to independent third party customers.	US$513,000	US$5,400,000

These continuing connected transactions have been reviewed by the board of directors, including the independent non-executive directors, who are of the opinion that the transactions were (i) in the ordinary and usual course of business of the Group; (ii) conducted in accordance with the respective agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) on terms no less favourable than those available to or from independent third parties; and (iv) the aggregate amount of each class of the continuing connected transactions for the financial year ended 31st December 2016 has not exceeded their respective annual caps.

CONNECTED TRANSACTIONS (CONTINUED)

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 (11) on pages 24–32 ("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.

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.

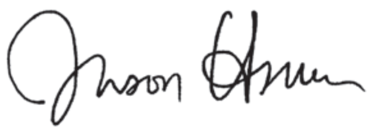
PUBLIC FLOAT

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, 16th March 2017

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

During the financial year of 2016, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for deviations from code provisions A.2.1 and A.4.1 of the CG Code, the reasons for which are explained below.

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

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.

THE BOARD (CONTINUED)

Re-election of Directors

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

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

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), four non-executive directors, namely Mr Liu Liehong, Dr Li Jun, Ms Jia Haiying (appointed on 16th March 2017), Ms Bi Xianghui, Ms Wu Qun (resigned on 16th March 2017), Mr Hideki Noda (resigned on 10th November 2016), 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 or above of the Board and non-executive directors constitute half or above 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 2016, all directors used their best endeavours to attend ad-hoc meetings, even on short notice, or participated by audio and video link.

Corporate Governance Report

RESPONSIBILITIES OF DIRECTORS (CONTINUED)

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. Agenda of each meeting is sent to all directors at reasonable time ahead of the meeting. Directors can propose any matters in the agenda by notifying the Company Secretary and other Board members. The Board held nine meetings during 2016. 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 2016
Executive Director	
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	9/9
Non-executive Directors	
Mr Liu Liehong	7/9
Dr Li Jun	7/9
Ms Bi Xianghui	9/9
Ms Wu Qun (resigned on 16th March 2017)	8/9
Mr Hideki Noda (resigned on 10th November 2016)	7/7
Independent Non-executive Directors	
Mr Chan Boon Teong	9/9
Dr Ku Chia-Tai	9/9
Mr Wong Chi Keung	9/9

The Company Secretary keeps the minutes of Board meetings for inspection by the directors at any reasonable time on reasonable notice. Draft and final versions of minutes are sent to all directors for their comment and records respectively.

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties including:

— development and review the Company's policies and practices on corporate governance;

— review and monitoring the training and continuous professional development of Directors and senior management;

— review and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

— development, review and monitoring the code of conduct and compliance manual applicable to employees and Directors; and

— 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 arranged a 7-day and 4-day site visit in Europe and India respectively in May 2016 for the directors to understand its operations in Europe and India. The Company also arranged a presentation and reference materials regarding Risk Management and Internal Control and Environmental, Social and Governance Reporting for the directors to understand 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 2016 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, E
Non-executive Directors	
Mr Liu Liehong	A, B, C, D, E
Dr Li Jun	A, B, C, D, E
Ms Bi Xianghui	A, B, C, D, E
Ms Wu Qun (resigned on 16th March 2017)	A, B, C, D, E
Mr Hideki Noda (resigned on 10th November 2016)	B, C, D, E
Independent Non-executive Directors	
Mr Chan Boon Teong	A, B, C, D, E
Dr Ku Chia-Tai	A, B, C, D, E
Mr Wong Chi Keung	A, B, C, D, E

A: Site visit in Europe
B: Site visit in India
C: Reading newspapers, journals and updates relating to the economy, general business, director's duties and responsibilities or updates on Risk Management and Internal Control
D: Reading newspapers, journals and updates relating to the economy, general business, director's duties and responsibilities or updates on Environmental, Social and Governance Reporting
E: 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 2016.

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

Corporate Governance Report

DELEGATION BY THE BOARD

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

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

SUPPLY OF AND ACCESS TO INFORMATION

The chairman and chief executive officer periodically presents 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 continue 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 were 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 63 to 67.

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.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

All members of the Audit Committee are independent non-executive directors. Among 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 Audit Committee held four meetings in 2016. The attendance of its individual members at these meetings is as follows:

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

The Audit Committee had several internal meetings and workshops with Internal Audit Department and management in 2016.

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 2016;

— reviewing and recommending the interim financial statements for the six months ended 30th June 2016;

— 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 risk management, and discussing these subjects with the management;

— reviewing and approving the internal audit plan for 2017;

— 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; 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.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

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

The Board agreed with the Audit Committee's proposal to re-appoint PricewaterhouseCoopers as the Company's external auditor for the year 2017. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 18th May 2017.

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	4,284
Non-audit services	
— Tax services	652
— Other	150
	5,086

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 Dr Li Jun (who was appointed on 16th March 2017), 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.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The Nomination Committee held one meeting during 2016. 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)*	1/1
Mr Chan Boon Teong	1/1
Dr Ku Chia-Tai	1/1
Mr Wong Chi Keung	1/1
Ms Wu Qun (resigned on 16th March 2017)	1/1

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

Subsequent to the financial year ended 31st December 2016 and up to the date of this report, a meeting of Nomination Committee was held on 15th March 2017 to review the re-appointment of Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung as independent non-executive directors of the Company at the Annual General Meeting and the appointment of Ms Jia Haiying as a non-executive director of the Company.

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises 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 eight 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.

BOARD COMMITTEES (CONTINUED)

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, a non-executive director of the Company. The Remuneration Committee held four meetings during 2016. 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)*	4/4
Dr Ku Chia-Tai	4/4
Mr Wong Chi Keung	4/4
Dr Hsuan, Jason	4/4
Ms Bi Xianghui	4/4

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 2016 and the remuneration budget for 2017. 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 Notes 9 and 42 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 Dr Li Jun, Ms Jia Haiying (who was appointed on 16th March 2017) and Ms Bi Xianghui (who was appointed on 10th November 2016), all of whom are non-executive directors of the Company and Mr Chan Boon Teong, an independent non-executive director of the Company.

BOARD COMMITTEES (CONTINUED)

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 2016. 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
Dr Li Jun	2/4
Ms Bi Xianghui (appointed on 10th November 2016)	1/1
Mr Chan Boon Teong	4/4
Ms Wu Qun (resigned on 16th March 2017)	2/4
Mr Hideki Noda (resigned on 10th November 2016)	3/3

During the year, the Investment Committee (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. The other members include Dr Li Jun (appointed on 10th November 2016) and Ms Bi Xianghui, both of whom 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 one meeting in 2016. The attendance of its individual members at this meeting is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Information Disclosure Committee)*	1/1
Dr Li Jun (appointed on 10th November 2016)	0/0
Ms Bi Xianghui	1/1
Mr Chan Boon Teong	1/1
Mr Shane Tyau	1/1
Mr Hideki Noda (resigned on 10th November 2016)	1/1

During the year, the Information Disclosure Committee (i) reviewed the Company's restructuring plan; and (ii) considered, reviewed and made decision on disclosure of any information which give rise to disclosure obligations, including inside information.

RISK MANAGEMENT AND INTERNAL CONTROL

(I) Responsibilities of the Board and management

The Board acknowledges that it is responsible for the Group's risk management and internal control systems, and also to review their effectiveness. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance, against material misstatement or loss.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take, in achieving TPV's strategic objectives; ensuring establishment and maintenance of effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

The Risk Management Committee, which comprises senior management personnel who is responsible for the design, implement and monitor the risk management and internal control systems and provide confirmation to the Audit Committee on the systems effectiveness regularly.

(II) Risk Management

To provide sound and effective risk management, the Board has established an enterprise risk management ("ERM") system which includes the following key features:

1. a distinct organisational structure for different responsible parties with defined authority, responsibilities and risk management roles; and

2. a robust ERM process is developed to identify, evaluate and manage significant risks.

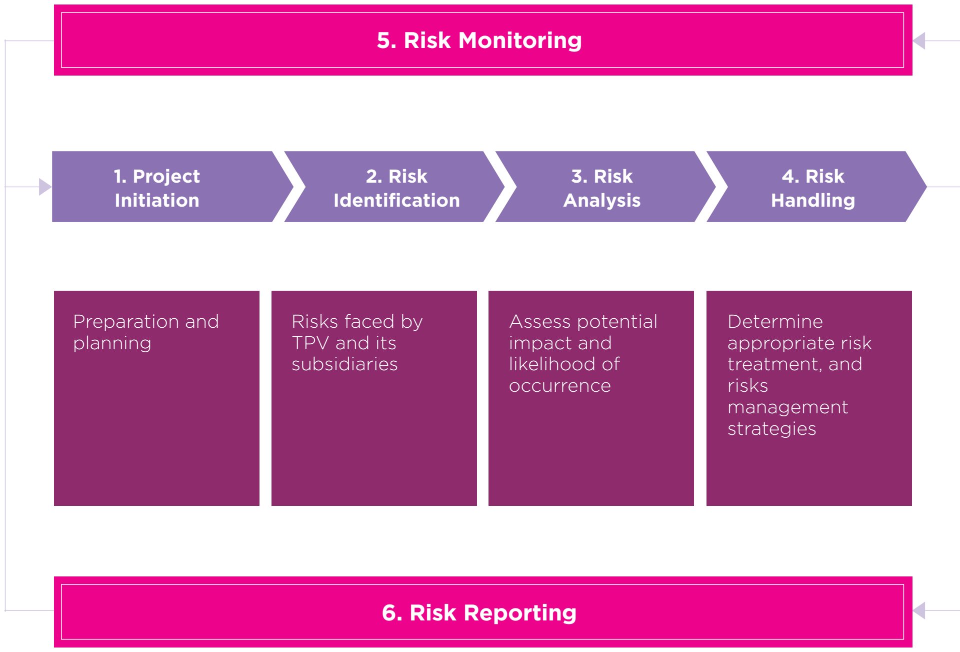
The Risk Management Committee facilitates and supports business units in carrying out ERM procedures in accordance with TPV's Risk Management Manual on an annual basis. The risk management procedures include the following six steps:

1.	Project initiation	—	commence the risk assessment project and prepare for the risk assessment activities
2.	Risk identification	—	identify the risks faced by TPV and its subsidiaries
3.	Risk analysis	—	analyse the identify risks from two dimensions: potential impact and likelihood of occurrence; prioritise key risks and confirm top risks
4.	Risk handling	—	select an appropriate risk treatment and develop the relevant risk management strategies for identified key risks
5.	Risk monitoring	—	perform ongoing and periodic monitoring of risks to ensure the risk management strategies are operating effectively

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(II) Risk Management (Continued)

6. Risk reporting — consolidate the results from the risk assessment; establish detailed action plan and report to the Risk Management Committee and the Audit Committee



TPV adopts a top-down and bottom-up approach. The ERM process is driven by the Risk Management Committee and monitored by the Audit Committee at the top, to the functional units at the bottom. The Board establishes the ERM framework to guide TPV's risk culture from the top. The Risk Management Manual is developed to ensure common understanding of risk principles and to promote a risk culture at a group-wide level. Functional units communicate these identified risks and recommend mitigation plans to the Risk Management Committee through established channels. The Risk Management Committee incorporates significant risks and mitigation plan, and reports them to the Audit Committee through a risk register, which provides a point-in-time assessment of the risk profile of TPV. The risk register allows categorisation and prioritisation of risks, risk management and reporting, and monitoring of the ongoing development of risks. Management is currently establishing a risk monitoring mechanism to monitor significant risks timely and effectively.

(III) Internal Control and Internal Audit

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, which comprises five main features and principal components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(III) Internal Control and Internal Audit (Continued)

TPV has an internal audit function. The Head of the Group Internal Audit Department reports directly to the Audit Committee, the chairman and the 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 2016, 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 reported to the Audit Committee and also to the chairman and the chief executive officer on a quarterly basis. Relevant recommendations reported by the Group Internal Audit Department are implemented by management to enhance TPV's internal control policies, procedures and practices, and to resolve material internal control deficiencies in a timely manner.

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.

The Group has established policies and internal controls for the handling and dissemination of inside information to make sure any information which may potentially give rise to disclosure obligations can be timely reported or escalated to relevant and responsible officers, and ensure the compliance with applicable laws and regulations. In addition, the Group has implemented procedures for responding to external enquiries about its affairs and a strict prohibition on unauthorised use of inside information.

(IV) Review of Risk Management and Internal Control Systems Effectiveness

The Board has conducted an annual review of the effectiveness and adequacy of the risk management and internal control systems by reviewing the work performed by the Risk Management Committee and the Group Internal Audit Department for the year ended 31st December 2016. The review covered all material controls, including financial, operational and compliance controls, and risk management functions. The scope and quality of ongoing monitoring of risks and the internal control systems have been assessed. The changes in the nature and extent of significant risks faced by TPV and response plans have been evaluated. The Board considered the risk management and internal control systems are functioning effectively and adequately.

During the review, the Board also assessed and considered the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions adequate.

The Board is satisfied that the Group has fully complied with the code provisions C.2 on risk management and internal control as set forth in the Appendix 14 of the Main Board Listing Rules, Corporate Governance Code and Corporate Governance Report for the year ended 31st December 2016.

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 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 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.

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 held two general meetings during 2016. The 2016 annual general meeting (the "2016 AGM") was held on 19th May 2016. One special general meeting (the "SGM") was held on 16th February 2016. The Company's external auditor has attended the 2016 AGM. The attendance of individual directors at these meetings is as follows:

	Attendance at general meetings/ Number of general meeting held during the director's term of office in 2016	
Name of director	**2016 AGM**	**SGM**
Executive Director		
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	1/1	1/1
Non-executive Directors		
Mr Liu Liehong	1/1	1/1
Dr Li Jun	1/1	1/1
Ms Bi Xianghui	1/1	1/1
Ms Wu Qun (resigned on 16th March 2017)	1/1	1/1
Mr Hideki Noda (resigned on 10th November 2016)	1/1	1/1
Independent Non-executive Directors		
Mr Chan Boon Teong	1/1	1/1
Dr Ku Chia-Tai	1/1	1/1
Mr Wong Chi Keung	1/1	1/1

Corporate Governance Report

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.

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 Company 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. 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 2016. 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.

Environmental, Social and Governance Report

HOW WE REPORT

This is the first Environmental, Social and Governance ("ESG") Report (the "report") for the Group. The report describes TPV's approach to ESG practices and the relevant performance and achievements for the year ended 31st December 2016. It serves as a first step in demonstrating the Group's commitment towards a more transparent ESG disclosure.

The scope of this report covers the key functions in TPV's major business, including I&D, procurement, manufacturing, sales, customer services and human resources of TVs and monitors, with operations spanning the PRC, Europe, North and South America, Hong Kong and Taiwan. The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Main Board Listing Rules issued by the Exchange in 2015.

OUR APPROACH TO ESG

TPV is committed to providing quality products and customer services in a responsible manner. The Group targets to integrate ESG considerations in our day to day activities, and we believe in transparency and accountability.

The Board oversees the Group's ESG strategy and reporting and makes sure that business objectives are aligned with our commitments to sustainable growth. Comprised of independent non-executive directors and senior management, our ESG Steering Committee strategizes the Group's direction of ESG. Leveraging the expertise of representatives from relevant departments, the ESG Project Taskforce reinforces awareness, practices and information reporting.

Stakeholder Engagement and Materiality Assessment

As a global business, the Group interacts with a wide range of stakeholders encompassing: employees, customers, suppliers, business partners, investors, governments, non-government organizations and other members of the community. Various avenues, such as meetings, surveys and seminars are accessible to our stakeholders to maintain an open and ongoing dialog.

In 2016, the Group conducted interviews with our key stakeholders including employees, customers and suppliers to understand their views on ESG matters and how the Group can contribute to address them. We are pleased to report that our key stakeholders recognize our achievements in talent management and community involvement. As a key market player in monitor and TV manufacturing, the Group bear the expectations to bring positive influence to our industry by sharing good ESG practices in our operations.

Material ESG issues have been identified based on input from our stakeholders. This report showcases our effort and progress from the respective business units which we think best represent our efforts in addressing the key concerns of our stakeholders.

OUR APPROACH TO ESG (CONTINUED)

Stakeholder Engagement and Materiality Assessment (Continued)

Your feedback on this report is welcomed. Any suggestions can be sent to us in writing to the following Company address, by facsimile, or 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

COMMITMENT TO OUR PEOPLE

We aspire to be an employer of choice for all employees. Our employees are offered competitive remunerations and benefits. They are encouraged to grow professionally, and we have placed substantial resources into their training and development to uphold our commitment.

Recruiting and Retaining Talent

Recruiting and retaining talent are vital to our success. We recruit highly qualified people and maintain a pool of human resources according to the manpower requirement and planning of the Group. We treat all employees and job applicants fairly and equally regardless of their gender, sexual orientation, marital status, race, colour, nationality, ethnic or national origin, religion, age, disability or union membership status. We have zero tolerance to harassment and discrimination of any form. Employment is offered only to the best qualified applicants, with reference to their merits and abilities to meet job requirements, irrespective of whether they are referrals or direct applicants. This applies to recruitment and selection, terms and conditions of employment including pay, promotion, training, transfer and every other aspect of employment. We regularly review our procedures and selection criteria to ensure that individuals are selected, promoted and otherwise treated according to their relevant individual abilities and merits.

In China, we collaborate with various institutions to expand our talent pipelines. Participating institutions include top universities. e.g. Fuzhou University and Xiamen University of Technology. Shortlisted candidates work closely with our in-house engineers on product innovations such as display technologies with higher definition yet lower power consumption. Outstanding students are recruited by TPV to become part of our family. More than 300 students have benefited from this program since it was launched in 2009.

We reward and promote our people based on assessment of individual performance, capability and potential. Promotion based on merit provides potential avenues for employees to aspire to higher grades, so as to maintain a clear and stable career development structure enabling the advancement and retention of quality staff. We offer competitive remuneration packages in accordance with industry practices, and the packages are reviewed regularly to remain competitive within the market. We also operate various retirement schemes, including pension plans and post-employment medical plans in different entities in accordance with local rules and regulations.

Environmental, Social and Governance Report

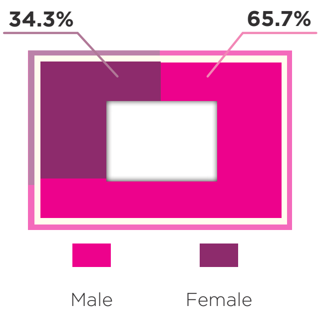
COMMITMENT TO OUR PEOPLE (CONTINUED)

Recruiting and Retaining Talent (Continued)

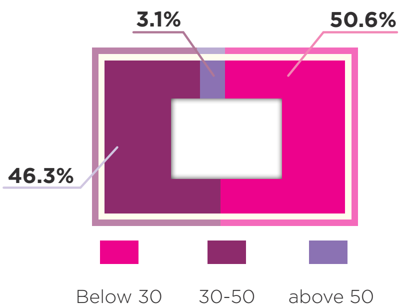
TPV is committed to providing our employees with an inclusive workplace that embraces and promotes diversity and equal opportunity. During the year, we have organized many social activities, such as soccer games, a basketball league and hiking expeditions, etc. to foster team building and to create a harmonious working environment.

In Brazil, our soccer teams competed with other companies from the Industrial Pole of Manaus in the 12th Championship Male Soccer of Metalworkers Union during June to July 2016

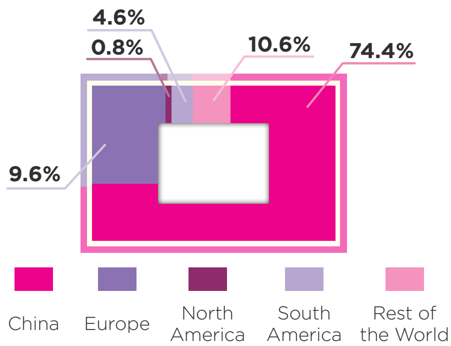
TOTAL WORKFORCE OF THE GROUP BY GENDER



TOTAL WORKFORCE OF THE GROUP BY AGE



TOTAL WORKFORCE OF THE GROUP BY GEOGRAPHICAL LOCATION



Training and Development

We support employees' growth and in doing so, we strive to realize the full potential of our workforce. We have a three-pronged focus on training, covering technical, functional, and soft-skill topics. Our training programs are regularly updated to mirror our ever-changing business needs. We also endeavour to inspire our employees to pursue further knowledge and encourage them to undertake lifelong learning.

We held outbound activities in Xiamen for team building

In order to encourage our employees to build up reading habit, we set up libraries and arrange Regular Reading Seminars every week

COMMITMENT TO OUR PEOPLE (CONTINUED)

Promoting Health, Safety and Well-being

The health and safety of our employees is our highest priority. Our Health and Safety ("H&S") Committee has been established to identify, assess and mitigate H&S-related risks across our operations. We have set up and implemented a health and safety management systems in line with local regulatory requirements or international standards such as OHSAS 18001. We provide safety training to employees as a preventive measure and we have zero work-related fatalities during the reporting period. We extend our H&S practices to our contractors and subcontractors, who are expected to report to TPV on any incidents during their course of work. According to local laws and regulations, we adopt various employee insurance and social insurance plans.

Employee well-being is of paramount importance to us. One such example of our commitment to this goal is the launching of our Employee Assistance Program ("EAP") in China and Taiwan. This program aims to help employees manage pressure from work, life and family, and to enhance their well-being through counselling and advice from professional consultants. EAP is made available to our staff 24 hours every day via hotline, email and Skype-call. We plan to expand this program to additional locations in order to benefit even more TPV employees.

Labour Standards

With reference to the standards of the Electronic Industry Citizenship Coalition, the Group set out a Code of Conduct in line with international and local labour standards which strictly prohibits the use of child and forced labor in any of our operations throughout the world. Mechanisms (including third-party assessments) have been established to identify, prevent, report, monitor and properly handle suspected cases of unethical practices.

Regulatory Compliance

During the reporting period, we were not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to employment, occupational health and safety or labour standards.

COMMITMENT TO OUR CUSTOMERS

We serve our customers by creating quality and innovative products that stimulate the senses. Our commitment to delivering value to our customers is evidenced by our focus on quality management, product innovation and customer experience enhancement.

Product Quality Management

Effective product quality control is crucial to our success in the marketplace. Consequently, we monitor our product and service quality by applying effective management systems. Many of our major production and trading operations have implemented quality management systems such as ISO 9001, QC080000 and GB/T 19001, certified by independent third parties.

We aim to provide safe products to our customers. Our manufacturing plants are operating with reference to safety requirements applicable to our target markets, such as RoHS Directive and CE/UL certification in the European Union ("EU"), and they are regularly assessed for quality control.

In order to provide and improve close-to-life services, membership systems are established and integrated in the form of promotions, value-added services, interactive broadcasting and pre-and-post sales services.

Product Innovation

Continual innovativion is essential in our fast-changing industry. During 2016, we introduced a number of new products, including the OLED 4K TV launched under the Philips brand, which features Ambilight to deliver exceptional color vibrancy and boast a huge contrast ratio. Another key product launched in 2016 is AGON, a premium gaming monitor incorporating high-performance chipsets to give gamers clear and detailed graphics and sharper action sequences. During 2016, we added 101 patents relating to TVs and monitors, raising the Group's total number of patents to 842.

COMMITMENT TO OUR CUSTOMERS (CONTINUED)

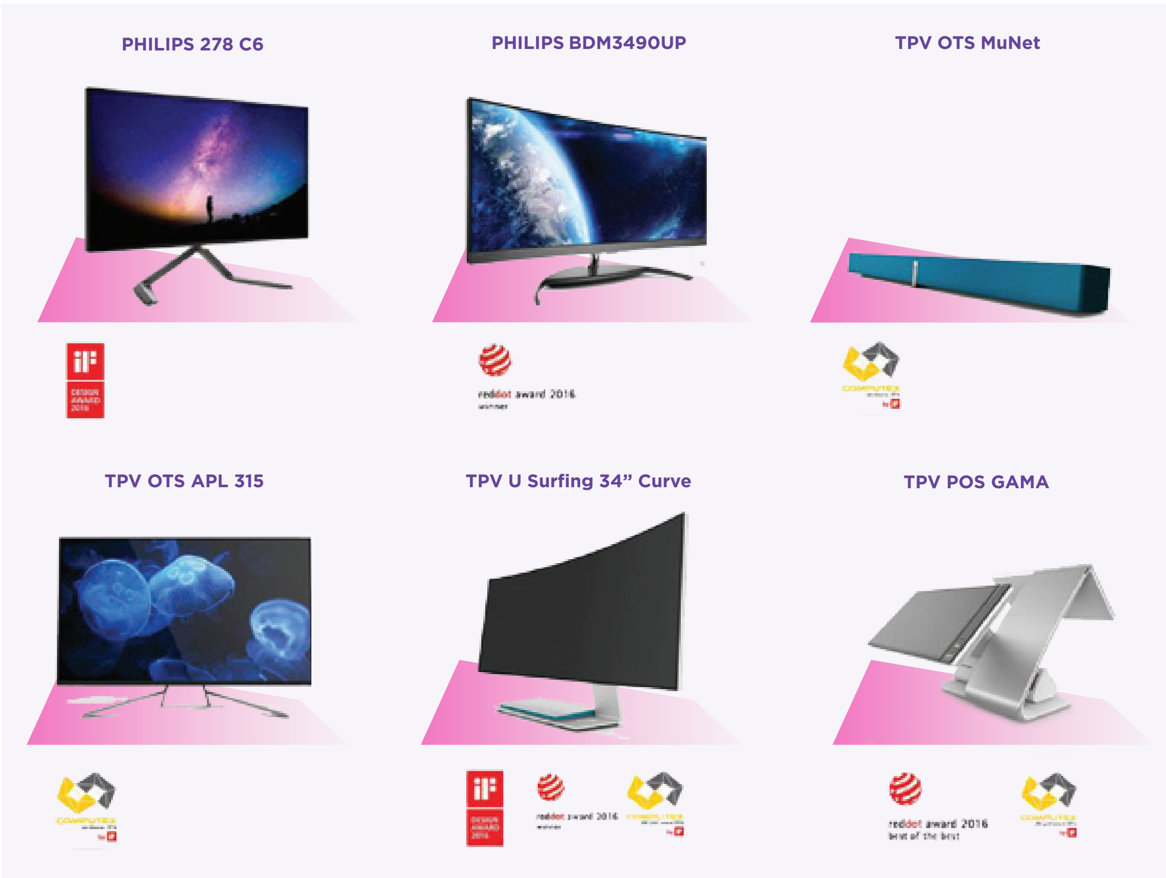
Product Innovation (Continued)

TPV has set up innovation centres to foster and coordinate new ideas on product design and functional enhancement. For instance, Innovation Site Europe ("ISE") has a strong focus on various product domains including connectivity, displays, audio and video processing, and it also drives sustainability via innovative power and materials solutions. Through collaboration with research institutes and universities, ISE strengthens its capabilities in product enhancement. For example, the HD^{2}R project, in which we cooperate with university project partners from iMinds, aims to optimize the viewing experience via a high dynamic range of colors, contrast and brightness. This project carries out pioneering experiments to achieve the optimal and reliable visual quality, conversion and colour correction of high dynamic range images which are the next step forward in visualization technology in the imaging chain for cinemas and living rooms. Additionally, to improve the resource efficiency of electronics, the GreenElec project is concerned with the designing and manufacturing of electronics that enable more effective recycling, in cooperation with manufacturers and recyclers.

Awards

During 2016, we collected several industry awards, including the IFA Best Product Award, the ELSA Award 2016/2017 Best Buy Large Screen TV, the iF Awards, the Red Dot Awards and the Computex d&I Awards, among others.

Moreover, our ODM customers have chosen us as their best supplier for major PC brands in the categories of product design, quality and service which will help to strengthen the Group's relationships with these long-term customers, consolidating our leading position within the industry.



COMMITMENT TO OUR CUSTOMERS (CONTINUED)

Sustainable Product Design

We understand a product's environmental footprint is determined largely upon its design. A sustainable product design process takes into account both environmental and social factors. Sustainability considerations play a role in product-design decision-making, such as the source of raw materials, percentage of recycled materials used, and amount of packaging materials needed. Moreover, prototypes are thoroughly tested to identify potential environmental and health impacts prior to product launch. These testings include electromagnetic interference, ergonomics, energy efficiency, inflammability, explosion and other quality assessments. Procedures are in place to address and follow up findings from these assessments.

Customer Satisfaction Management

To further improve our products and services, TPV maintains ongoing dialog with our customers to understand and address their needs. Feedback is acquired through representative offices, dedicated call centers and questionnaire surveys. Feedback is reviewed and followed up.

TPV demonstrates our dedication to remarkable customer experience and satisfaction with enhanced after-sale customer service. Our after-sales team provides customized services, including field application engineer support, technical support and training. Furthermore, our global customer service support provides convenient access to our customers.

In 2016, we streamlined our customer service processes to further refine our service standard. This included the relocation of our European after-sales services from third-party vendors to an in-house operation, which has significantly improved our response time.

We respect customers' data privacy and their rights to personal information gathered by our products and services. Data and privacy protection procedures are in place and communicated to our employees through regular training. All collected personal data is accessible only by authorized personnel and the data is handled in a confidential manner. Our product development process takes the terms of non-disclosure agreement of the customers as the basis of data privacy or data protection. For example, in TP Vision Europe B.V., we have the Smart TV Privacy Policy which is based on Dutch and EU laws. We are also in the process of introducing a privacy policy for TP Vision employees which explains how they should treat personal data. This policy is currently under review by the Works Council.

Product Advertising and Labelling

Well-established mechanisms for product and service advertising and labelling are in place to provide customers with complete and accurate information. When applicable, our products carry energy labels according to the respective energy efficiency standards defined by regulatory bodies, including the US Federal Trade Commission, US Environmental Protection Agency and the European Commission.

Regulatory Compliance

In 2016, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning product responsibility.

Environmental, Social and Governance Report

OUR COMMITMENT TO BUSINESS PARTNERS

As an international business, we source from over 16,000 suppliers globally. We regard our suppliers as important business partners and we continually strive to forge and maintain close and supportive relationships with them, through engagement and collaboration, to maintain a healthy business ecosystem.

Supply Chain Management

TPV has well-established screening processes in place for supplier selection and evaluation. New suppliers are required to undertake a rigorous evaluation process which considers not only technical capability and quality, but also sustainability performance. Key suppliers are required to sign an agreement to confirm their commitment to working with us in an environmentally and socially responsible way.

Under our supplier evaluation mechanisms, our dedicated teams conduct regular evaluations and ad-hoc audits of supplier performance to identify areas for improvement. Suppliers are required to undertake corrective actions in a timely manner. Failing to comply with our evaluation criteria can result in the termination of the business relationship.

We believe that supply chain sustainability requires an industry-wide effort. The Group has adopted the Electronic Industry Citizenship Coalition Code of Conduct (the "Code") and encourages its suppliers to do the same. The Code sets out good practices to ensure that (a) the working conditions in the electronics industry supply chain are safe; (b) those workers are treated with respect and dignity; and (c) business operations are environmentally responsible and conducted ethically.

Engaging Suppliers

We recognize that the journey towards supply chain sustainability requires close collaboration with our suppliers. To achieve this, we discuss our expectations with suppliers and assist them in meeting our requirements. The Group provides training and shares industry insights with our suppliers to achieve mutually beneficial results. We hold seminars to engage our suppliers, at which we facilitate the exchange of experience sharing as well as providing visibility for major plans and updates.

To foster long-term relationships, we incentivize suppliers who are consistently reliable by prioritizing them during the procurement process and affirming their achievements through recognitions and awards.

Anti-Corruption

We believe that responsible conduct and integrity are essential to maintain a strong presence in the global market. Our anti-corruption principles are communicated to our employees in various forms such as employee handbooks and compliance and refresher training. We have zero tolerance for any forms of bribery, corruption and fraud. Effective monitoring systems and management have been developed to detect bribery, fraud and other malpractice activities. In addition, our transparent tendering process enables related activities to be conducted in a fair, open and transparent manner. Suppliers are required to sign anti-corruption declaration forms as a prerequisite to business transactions. Our whistle-blowing mechanisms allow employees and third parties to report suspected misconduct, irregularities and malpractice in the strictest confidence. All reported cases will be followed up in a timely manner. Confirmed cases will be reported to the Audit Committee. An Employee handbook, including a Code of Conduct, is distributed to every employee upon hiring.

Regulatory Compliance

The Group was not aware of any breach of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the reporting period.

COMMITMENT TO OUR ENVIRONMENT

TPV believes that environmental protection is a vital part of our corporate social responsibility. As an internationally-renowned monitor and TV manufacturer, we focus on reducing our environmental footprint by improving operational efficiency and incorporating sustainability in product design.

We trust that an adept environmental management framework enables an organization to not only stay aware of its impacts but also unlocks opportunities for improvement. Our main production facilities located across the world have implemented comprehensive environmental management systems, such as those accredited with ISO14001. We undertake rigorous monitoring and audits to make sure that the environmental impacts of our operations are properly mitigated and in line with the stipulated discharge standards.

Emissions

Air and greenhouse gases ("GHG") emissions

We make an on-going effort to manage and reduce our air and GHG emissions. In China, TPV Electronics (Fujian) Company Limited initiated a program to substitute diesel-fired boilers with natural gas-fired boilers in order to lower the associated air and GHG emissions. In order to reduce GHG emissions, all of TPV's production lines have switched to a new, environmentally friendly degreasing agent that contains no ozone depleting substances. Additionally, we encourage carpooling throughout our operations to reduce the number of vehicles in use.

Our Scope 1 and Scope 2 GHG emissions during 2016 are indicated as the following:

GHG emissions	**(tons CO_2e)**
Scope 1 (direct emissions from operation processes)	8,620
Scope 2 (Indirect emissions from purchased energy sources such as electricity)	101,898
Total	**110,518**

Wastewater

Wastewater generated from our premises is discharged into municipal wastewater disposal systems for centralized treatment or properly treated at our own wastewater treatment facilities onsite prior to discharge.

Newly built wastewater facility in Xiamen factory in July 2016

Environmental, Social and Governance Report

COMMITMENT TO OUR ENVIRONMENT (CONTINUED)

Waste

We have implemented waste management procedures to guide proper waste segregation, storage and handling practices for waste generated from our operations. Our waste management practices encourage reduction from the source, reuse, and recycling, through the adoption of advanced technologies and the improvement of process efficiency. Any waste generated is properly handled by qualified third parties. To enable orderly transportation of our hazardous waste to disposal facilities by trucks, we adhere to a trip ticket system in accordance with the respective local regulations of the locations within which we operate.

In 2016, a total of 189 tons of hazardous waste and 28,504 tons of non-hazardous waste were generated.

We have enhanced our production techniques in order to improve quality and productivity and to minimize hazardous waste generation. The soldering process at our mainland China manufacturing operation was revamped to lower consumption of soldering materials and to reduce tin waste generation.

Additionally, our Brazilian manufacturing operation, Envision Indústria de Produtos Eletrônicos Ltda, reduces packaging waste generation by returning cardboard to the packaging suppliers for recycling. Instead of disposal, all wood waste from the Company's manufacturing process is sold to agents who use biomass energy in brick-making kilns. Our sales arm, TP Vision Europe B.V., considers environmental impacts of our products' life cycles and collects old or broken devices from customers in all countries in the EU free of charge, arranging for them to be recycled according to the EU Directive on Waste and Electronic Equipment.

Use of Resources

Our operations have taken a myriad of measures to reduce the consumption and improve the efficiency of energy, water and other materials.

Energy

We have implemented a number of energy-saving measures. For example, our manufacturing operation in Poland, TPV Displays Polska Sp.z.o.o, installed LED lamps in eight production lines which reduced the respective power consumption by 55% during 2016. Furthermore, forklift batteries have been replaced by waterless battery types to reduce power consumption. Envision Indústria de Produtos Electrônicos Ltda replaced its chiller cooling system by employing air conditioning with a more efficient timer control. Lighting controls and motion sensors have been installed in the rooms to automatically turn off lights at vacant rooms for energy saving.

In 2016, TPV's direct and indirect energy consumption was as follows:

Direct energy consumption	
Bitumen	3 Tons
Gas work gas	9,287 m^3
Liquefied petroleum gases	3,765 m^3
Natural gas	969,617 m^3
Diesel oil	67,677 Litre
Lubricants	498 Litre
Motor gasoline	216,925 Litre
Indirect energy consumption	
Purchases electricity	149,287,472 kWh

COMMITMENT TO OUR ENVIRONMENT (CONTINUED)

Water

Water is used mainly for domestic purposes at our sites. Water conservation is one of our key performance indicators for performance assessment - we monitor our water consumption and encourage our employees to save water. At our Taipei headquarters, water saving devices have been installed in taps and toilets. Similarly, sink taps with automatic timers have been installed at our Brazil manufacturing operations to improve water efficiency.

In 2016, we consumed a total of 1.7 million m^3 freshwater which is approximately 53.3 m^3 per employee.

Material use

TPV is committed to providing environmentally responsible packaging materials for its products. For example, both TPV Displays Polska Sp.z.o.o and Envision Indústria de Produtos Electrônicos Ltda, our manufacturing operations in Poland and Brazil, recover and reuse packaging waste, such as cardboard, which saves thousands of trees each year. Our manufacturing operation in China, TPV Display Technology (Xiamen) Company Limited, has streamlined the production process in order to reduce the packaging materials.

During the year, we consumed a total of 102,651 tons of packaging materials with a packaging material intensity of 2.1 kg per unit of product.

The Environment and Natural Resources

We remain keenly aware of our impact on the environment and our consumption of natural resources. As a result, we endeavor to identify and mitigate such impacts by embedding sustainable development in everything we do.

Assessments of potential environmental impacts are undertaken to inform the identification, measurement and management of our footprint at the site level. Our production operations have implemented stringent procedures to prevent chemical leakage and spillages into the environment. Emergency planning and drills are conducted to reduce the risk of accidents and to maintain our business continuity.

We invest in making our facilities greener by adopting principles of land optimisation, energy and water conservation, material economization and green construction. Our office in Shanghai and production plants in Qingdao, for example, have incorporated sustainable design features and have been awarded the "Certificate of Green Building Design Label" from the Ministry of Housing and Urban-Rural Development of the PRC.

Regulatory Compliance

The Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during 2016.

COMMITMENT TO OUR COMMUNITY

Community involvement is one of TPV's core values. We aspire to share our business success with local communities by supporting the youth and the underprivileged as well as promoting environmental conservation. Our employees are strongly encouraged to participate in and contribute to TPV's community outreach programmes.

We uphold our commitment to the community through employee volunteering and donations in kind or in cash. Our employees contributed more than 9,500 hours in delivering community services and the Group has donated more than US$ 527,190 to support various community initiatives during the year.

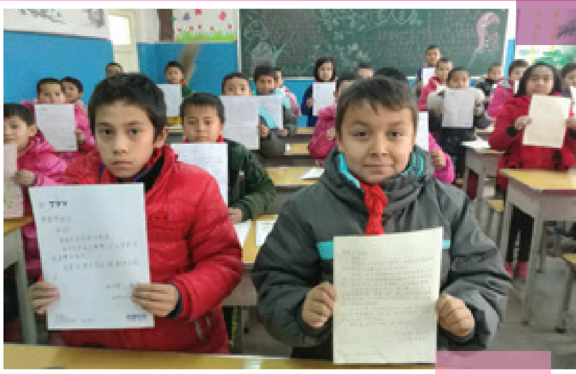
Environmental, Social and Governance Report

COMMITMENT TO OUR COMMUNITY (CONTINUED)

Supporting the Youth

One to One Subsidization Project

In 2016, we continued to support the "One to One Subsidization" project aimed at providing education for ethnic minority students from underprivileged rural families in the Xinjiang Uyghur Autonomous Region in the PRC. The project was first initiated by the Group's chairman and CEO, Dr Hsuan, Jason in 2012 and has been operated in collaboration with the Beijing Meijiang Education Foundation. The Group has been sponsoring tuition fees for eligible students since the commencement of the project. In addition, the Group encourages its employees to foster mentorship relationships with the students by conversing through letters, gifts, video calls and visits. In 2016, this project reached out to more than 150 students in Beijing, Xiamen and Fuqing.



Through gifts and letters, we show our love and support to Meijiang students

Cross-strait sister schools

TPV has always believed that education is a crucial component of community empowerment. Our efforts in supporting cross-strait exchanges demonstrate our commitment. For example, during March 2016, the Group arranged a one week-trip for teachers and students from Chongwen Elementary School in Fuqing City of Fujian Province to visit Zhong-He Elementary School in Taipei City, Taiwan. Participating teachers and students conducted classes and workshops to share ideas and exchange insight for future development. Such cultural exchanges propelled students towards understanding and accommodating an array of various community aspects.

We held gatherings for students in China and Taiwan and to promote cross-strait exchanges. Our chairman and CEO, Dr Hsuan, Jason has participated actively in those activities

One-week exchange trip for teachers and students from Chongwen Elementary School in Fuqing City, Fujian Province to visit Zhong-He Elementary School in Taipei City, Taiwan was held in March 2016

COMMITMENT TO OUR COMMUNITY (CONTINUED)

Youth Development

We acknowledge the importance of work experience in the current competitive job market. TPV invites students from top universities including Fuzhou University and Xiamen University of Technology to take part in our innovation projects. These opportunities give the students insight into their career development and either a chance to become part of the TPV family or help with landing their first job elsewhere.

Supporting the Underprivileged

Running, TPV!

"Running, TPV!", a charity sports event held by the Group, is a fundraiser for children's education in Xinjiang. From 2015 to 2016, more than 3,000 TPV employees participated in the event, including the Group's Chairman and CEO. The Group donated RMB11.1 for every kilometer and more than RMB170,000 was raised from the event. The amount "11.1" also symbolizes "one heart one vision", encapsulating TPV's devotion to the provision of education for the next generation.

Running, TPV! has be held in Taipei, Xiamen, Wuhan, Qingdao, Beijing, Fuqing to raise fund for children's education in Xinjiang

Other support

The Group has been collaborating with a multitude of organizations by making donations to support their charitable causes. These include the Red Cross, the Disabled Persons' Association and the Youth Foundation.

We believe in empowerment as an effective way to support those in need. Leveraging what we do best, we bring TV sets to the underprivileged with the intent to facilitate information exchange, learning opportunities and happiness. During the year, TPV Vision Europe donated TV sets to Ronald McDonald House Charities with an aim to brighten the lives of the residents and to bring happiness to these seriously ill children and their parents. Trend Smart in the USA acknowledges the need to support local churches and school facilities. TV samples and prototypes are refurbished and donated to local churches and school facilities.

COMMITMENT TO OUR COMMUNITY (CONTINUED)

Environmental Conservation

Environmental conservation is an important part of sustainability development. In 2016, we formed a partnership with the SEE Foundation which focuses on desertification prevention and biodiversity protection. In October 2016, we sponsored the "Love in Amoy Island" programme. More than 100 teachers and students from Xiamen, Fuqing and Taipei participated in a series of environmental conservation activities, such as beach cleaning and outdoor classes in the wild, to raise awareness about environmental conservation and biodiversity protection.

Furthermore, TPV encourages its employees in environmental and community matters. In additional to the beach cleaning in Qingdao, our Fuqing operations arranged a donation of clothes to the Fuzhou Ma Changbai Charitable Organization.

Beach clean-up activity under the Love in Amoy Island program in October 2016

We donated clothes to Fuzhou Ma Changbai Charitable Organization

Going forward, TPV will continue its unrelenting efforts in supporting and empowering the community, with a view to creating sustained value for our society.

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of TPV Technology Limited (the "Company") and its subsidiaries ("the Group") set out on pages 68 to 158, which comprise:

- the consolidated balance sheet as at 31st December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Impairment assessment of goodwill
- Recoverability of overdue trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to Note 14 to the consolidated financial statements. The Group had goodwill of US$394 million as of 31st December 2016, representing approximately 6.8% of the Group's total assets as at year end. Management performed goodwill impairment assessment on two operating segments in Monitors and TVs businesses and assessed their recoverable amounts based on the value-in-use calculations. This assessment involved significant judgements in adopting the underlying assumptions for the calculations. The recoverable amounts of these operating segments estimated by management exceeded their carrying values and the directors were of the opinion that no impairment was necessary as at 31st December 2016. Impairment charge, if any, may have significant impact on the Group's consolidated financial performance for the year due to the size of the goodwill.	We evaluated management's impairment assessment and the process by which they were drawn up. We also assessed the future cash flow forecasts used in the model and tested the mechanics of the underlying calculations. We evaluated the key assumptions (revenue growth and gross profit margin growth) adopted in the valuation based on the historical data, actual performance as well as industry data. We involved our valuation specialist to review the valuation methodology adopted and assess the valuation assumptions such as discount rate used by management in the cash flow forecasts based on market data. We evaluated the management sensitivity analysis around the key assumptions within the cash flow forecasts to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired and also considered the likelihood of such a change in those key assumptions arising. Based on our work performed, we considered the methodology used by management was appropriate and the key assumptions applied by management in the impairment were supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of overdue trade receivables	
Refer to Note 23 to the consolidated financial statements. The Group had overdue trade receivables amounting to approximately US$79 million which were past due but not impaired ("overdue trade receivables"), representing 4.2% of the trade receivables balance of the Group as at 31st December 2016. The management have assessed and considered these receivables to be fully recoverable based on, among others, continuous settlement by these debtors, trading relationship, agreed settlement plan and business plan with these debtors where relevant. The slow settlement of these receivables may expose the Group to a higher risk of default from these customers. Provision for impairment charge, if any, may have significant impact on the Group's consolidated financial performance for the year due to the size of the outstanding balances.	We evaluated management's assessment in relation to the recoverability of these overdue trade receivables by examining relevant documents supporting their conclusion, which was primarily based on the continuous settlement, trading relationship throughout the year, agreed settlement plans and business plans with debtors where relevant. We selected debtors on a sample basis and circulated auditor's confirmations to them confirming the trade receivable balances as at 31st December 2016. Where confirmations were not received from these debtors, we examined alternative supporting documents such as goods delivery notes to confirm the outstanding balances. We tested on a sample basis the settlements made by these debtors subsequent to the year end date by tracing the settlements to the corresponding bank statements. We obtained the agreed settlement plans from management and on a sample basis, tested the settlements made during the year by comparing the actual settlements made by these debtors against the agreed settlement plans up to the report date where relevant. We also discussed and understood management's business plan with these customers in gradually recovering the full receivable balances. Whilst recognizing that recoverability assessment and reliability of future settlement plans are all inherently judgemental, we found that the management's assessment to be reasonable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Continued)

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kin Wah, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th March 2017

Consolidated Income Statement

For the year ended 31st December 2016

	Note	2016 US$'000	2015 US$'000
Revenue	5	**9,808,337**	11,061,525
Cost of sales		**(8,960,719)**	(10,190,037)
Gross profit		**847,618**	871,488
Other income	6	**58,443**	60,255
Other losses, net	7	**(20,585)**	(34,244)
Selling and distribution expenses		**(372,429)**	(428,135)
Administrative expenses		**(187,616)**	(195,710)
Research and development expenses		**(200,727)**	(214,674)
Operating profit	8	**124,704**	58,980
Finance income	10	**6,905**	7,365
Finance costs	10	**(36,937)**	(59,164)
Finance costs, net	10	**(30,032)**	(51,799)
Share of profits/(losses) of:			
— Associates	19	**6,652**	7,117
— Joint venture	20	**(2)**	(3)
Profit before income tax		**101,322**	14,295
Income tax expense	11	**(57,575)**	(44,983)
Profit/(loss) for the year		**43,747**	(30,688)
Profit/(loss) attributable to:			
Owners of the Company		**38,523**	(31,337)
Non-controlling interests		**5,224**	649
		43,747	(30,688)
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted	12	**US1.64 cents**	(US1.34) cents

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2016

	2016 US$'000	2015 US$'000
Profit/(loss) for the year	**43,747**	(30,688)
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)	**189**	3
Currency translation differences		
— Group	**13,892**	(16,092)
— Associates and a joint venture	**(3,475)**	(3,014)
Release of exchange reserve to profit or loss upon disposal/closure of		
— A subsidiary	**623**	—
— An associate	**362**	—
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of pension obligations, net of tax (Note 31)	**(1,596)**	815
Other comprehensive income/(loss) for the year, net of tax	**9,995**	(18,288)
Total comprehensive income/(loss) for the year	**53,742**	(48,976)
Total comprehensive income/(loss) attributable to:		
— Owners of the Company	**48,480**	(49,441)
— Non-controlling interests	**5,262**	465
	53,742	(48,976)

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

Consolidated Balance Sheet

As at 31st December 2016

	Note	**2016 US$'000**	2015 US$'000
Assets			
Non-current assets			
Intangible assets	14	**459,139**	448,849
Property, plant and equipment	15	**514,260**	554,257
Land use rights	16	**18,627**	19,718
Investment properties	17	**203,483**	198,241
Investments in associates	19	**52,774**	61,237
Investment in a joint venture	20	**1,347**	1,349
Derivative financial instruments	34	**67,227**	63,161
Available-for-sale financial assets	21	**4,746**	4,758
Financial assets at fair value through profit or loss	24	**20,144**	21,560
Deferred income tax assets	30	**61,081**	77,958
Prepayments and other assets	23	**23,503**	76,547
Long-term bank deposits	25	**27,914**	40,892
		1,454,245	1,568,527
Current assets			
Inventories	22	**1,384,470**	1,284,391
Trade receivables	23	**1,844,112**	2,098,651
Deposits, prepayments and other receivables	23	**249,802**	291,098
Financial assets at fair value through profit or loss	24	**10,557**	59,129
Current income tax recoverable		**9,982**	5,833
Derivative financial instruments	34	**204,641**	170,325
Pledged bank deposits	25	**3,435**	3,670
Short-term bank deposits	25	**25,295**	32,643
Cash and cash equivalents	25	**601,280**	417,312
		4,333,574	4,363,052
Total assets		**5,787,819**	5,931,579

	Note	2016 US$'000	2015 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital	26	**23,456**	23,456
Other reserves	28	**1,645,599**	1,600,121
		1,669,055	1,623,577
Non-controlling interests		**11,792**	6,530
Total equity		**1,680,847**	1,630,107
Liabilities			
Non-current liabilities			
Borrowings and loans	29	**371,543**	441,081
Deferred income tax liabilities	30	**39,508**	35,180
Pension obligations	31	**12,459**	20,652
Other payables and accruals	32	**41,228**	49,129
Derivative financial instruments	34	**55,565**	44,834
Provisions	33	**1,570**	2,583
		521,873	593,459
Current liabilities			
Trade payables	32	**2,164,232**	2,215,034
Other payables and accruals	32	**889,135**	1,043,571
Current income tax liabilities		**15,062**	21,097
Provisions	33	**188,795**	153,774
Derivative financial instruments	34	**164,180**	128,572
Borrowings and loans	29	**163,695**	145,965
		3,585,099	3,708,013
Total liabilities		**4,106,972**	4,301,472
Total equity and liabilities		**5,787,819**	5,931,579

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

The consolidated financial statements were approved by the Board of Directors on 16th March 2017 and were signed on its behalf.

Dr Hsuan, Jason
Director

Dr Li Jun
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2016

	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 2016	**23,456**	**1,600,121**	**6,530**	**1,630,107**
Comprehensive income				
Profit for the year	**—**	**38,523**	**5,224**	**43,747**
Other comprehensive income for the year, net of tax				
Fair value gains on available-for-sale financial assets (Note 21)	**—**	**189**	**—**	**189**
Currency translation differences				
— Group	**—**	**13,854**	**38**	**13,892**
— Associates and a joint venture	**—**	**(3,475)**	**—**	**(3,475)**
Release of exchange reserve to profit or loss upon disposal/closure of				
— A subsidiary	**—**	**623**	**—**	**623**
— An associate	**—**	**362**	**—**	**362**
Remeasurement of pension obligations, net of tax (Note 31)	**—**	**(1,596)**	**—**	**(1,596)**
Other comprehensive income for the year, net of tax	**—**	**9,957**	**38**	**9,995**
Total comprehensive income for the year	**—**	**48,480**	**5,262**	**53,742**
Transactions with owners, recognized directly in equity				
2015 final dividends paid	**—**	**(3,002)**	**—**	**(3,002)**
Total transactions with owners, recognized directly in equity	**—**	**(3,002)**	**—**	**(3,002)**
Balance as at 31st December 2016	**23,456**	**1,645,599**	**11,792**	**1,680,847**

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

	Attributable to owners of the Company			
	Share capital	Other reserves	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000
Balance as at 1st January 2015	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
Currency translation differences				
— Group	—	(15,908)	(184)	(16,092)
— Associates and a joint venture	—	(3,014)	—	(3,014)
Remeasurement of pension obligations, net of tax (Note 31)	—	815	—	815
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	—	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	—	—	6,670	6,670
Capital injection from non-controlling interests	—	—	11,248	11,248
Dividend to non-controlling interests	—	—	(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.

Consolidated Statement of Cash Flows

For the year ended 31st December 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Net cash generated from operations	36	**391,339**	248,397
Interest paid		**(28,575)**	(43,045)
Income tax paid		**(47,489)**	(54,302)
Net cash generated from operating activities		**315,275**	151,050
Cash flows from investing activities			
Proceeds from disposals of property, plant and equipment and land use rights	36	**4,555**	60,075
Proceeds from disposal of available-for-sales financial assets		**13**	1,118
Purchase of property, plant and equipment and investment properties		**(98,731)**	(149,791)
Purchase of intangible assets		**(15,809)**	(13,256)
Purchase of available-for-sale financial assets		**(547)**	(1,103)
Proceeds from disposals of financial assets at fair value through profit or loss		**114,287**	44,892
Purchase of financial assets at fair value through profit or loss		**(59,969)**	(101,914)
Interest received		**6,905**	7,365
Changes in short-term bank deposits		**18,978**	(24,449)
Inception of long-term bank deposits		**—**	(29,485)
Cash outflows arising from disposal of subsidiary		**—**	(17,743)
Purchase of interest in a subsidiary from its non-controlling interests		**—**	(3,098)
Consideration paid for acquisition of business under common control		**—**	(7,025)
Proceeds received for net assets value shortfall from original shareholders arising from acquisition of business under common control		**—**	10,087
Proceed from disposal of an associate		**2,811**	—
Dividends received from an associate		**5,586**	4,985
Net cash used in investing activities		**(21,921)**	(219,342)
Cash flows from financing activities			
Inception of long-term borrowings and loans		**99,080**	284,191
Repayment of long-term borrowings and loans		**(21,650)**	(151,616)
Net (payment)/inception of short-term borrowings and loans		**(117,852)**	21,886
Net payment of payables under discounting arrangements		**(61,128)**	(155,920)
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 (used in)/generated from financing activities		**(104,552)**	6,571
Net increase/(decrease) in cash and cash equivalents		**188,802**	(61,721)
Cash and cash equivalents at beginning of the year		**417,312**	492,250
Currency translation differences		**(4,834)**	(13,217)
Cash and cash equivalents at end of the year	25	**601,280**	417,312

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 16th March 2017.

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 area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(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 2016:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, "Investments entities applying the consolidation exception"
- Amendments to HKFRS 11, "Accounting for acquisitions of interests in joint operations"
- HKFRS 14, "Regulatory deferral accounts"
- Amendments to HKAS 1, "The disclosure initiative"
- Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortization"
- Amendments to HKAS 16 and HKAS 41, "Agriculture: Bearer plants"
- Amendment to HKAS 27, "Equity method in separate financial statements"
- Annual improvements to HKFRSs — 2012–2014 cycle

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

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 2016 that are expected to have a material impact on the Group.

(b) New standards and amendments to standards 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 2016 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 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	Note
HKFRS 15, "Revenue from Contracts with Customers"	1st January 2018
HKFRS 16, "Leases"	1st January 2019
Amendments to HKFRS 2, "Classification and measurement of Share-based Payment Transactions"	1st January 2018
Amendments to HKAS 12, "Income taxes"	1st January 2017
Amendments to HKAS 7, "Statement of cash flows"	1st January 2017

Note: To be announced by HKICPA

HKFRS 9 "Financial Instruments"

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards that have been issued but not yet effective and have not been early adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortized cost a day-1 loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations;

(5) Recognize revenue when performance obligation is satisfied.

The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to standards that have been issued but not yet effective and have not been early adopted by the Group (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, which could affect the timing of the revenue recognition. In light of the global operations and different laws and regulations in place, the directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group's financial statements. Management will make more detailed assessments of the impact over the next twelve months.

HKFRS 16 "Leases"

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$43,229,000 (Note 38). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Apart from aforementioned HKFRS 9, HKFRS 15 and HKFRS 16, the directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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 interests 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 interests 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.

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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 or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Associates (Continued)

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 or disposal of equity interest in associates are recognized in the consolidated income statement.

2.4 Joint arrangements

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 ("CODM"). The CODM 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

Notes to the Consolidated Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(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 differences are 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	5 to 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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 interests 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (Continued)

(a) Goodwill (Continued)

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

2.12 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 'other assets', 'trade receivables', 'other receivables', 'cash and cash equivalents', 'long-term bank deposits', pledged bank deposits' 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets (Continued)

(a) Assets carried at amortized cost (Continued)

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 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.

2.15 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'.

The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the item is more than 12 months, and as a current asset or liability when the remaining maturity of the item is less than 12 months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. See Note 2.12.2 for further information about the Group's accounting for trade receivables and Note 2.14 for a description of the Group's impairment policy.

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 and pledged bank deposits and short-term bank deposits with original maturities over 3 months are shown as 'pledged bank deposits' and 'short-term bank deposits' respectively in current assets.

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, other payables and accruals

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.22 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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.

2.23 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (Continued)

(a) Pension obligations (Continued)

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Dividend income

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

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Borrowing costs (Continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalization is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalization in previous years should not be capitalized in subsequent years.

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.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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 area, 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.

The analysis has been determined assuming that the general depreciation trend in foreign exchange rates against US$ had occurred at the balance sheet date with reference to bank's forecast available, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

In US$'000	**2016** Hypothetical change in foreign exchange rate	**2016** Positive/ (negative) effect on profit or loss (US$'000)	2015 Hypothetical change in foreign exchange rate	2015 Negative effect on profit or loss (US$'000)
Renminbi	**2%**	**(2,398)**	3%	(26,638)
Euro	**4%**	**(7,944)**	1%	(2,791)
Brazilian real	**20%**	**(20,333)**	10%	(19,890)
Russian ruble	**15%**	**(14,190)**	30%	(5,634)
Argentine peso	**15%**	**1,230**	35%	(12,950)

(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 2016, if the Argentine equity indexes had been 1,000 basis points (2015: 500 basis points) fluctuated with all variables held constant, the Group's post-tax profit for the year would have been affected by US$1,056,000 (2015: US$2,841,000).

(iii) Interest rate risk

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 2016, if interest rates on borrowings and loans had been 50 basis points fluctuated with all other variables held constant, the Group's post-tax profit for the year would have been affected by US$1,886,000 (2015: US$2,258,000), mainly as a result of fluctuation on interest expenses borrowings and loans which bears floating interest rate.

Notes to the Consolidated Financial Statements (Continued)

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 2016, trade receivables of approximately US$289,365,000 (2015: US$250,667,000) was subject to non-recourse factoring arrangements. Correspondingly, an amount of US$22,256,000 (2015: US$15,091,000) due from six (2015: four) 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 2016 and 2015.

As at 31st December 2016 and 2015, 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.

	2016 **US$'000**
Counterparties	
Customer A	**227,803**
Customer C	**182,223**
Customer B	**150,872**
Customer D	**82,583**
Customer F	**45,046**
	688,527

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

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$601,280,000 (2015: US$417,312,000) (Note 25), short-term bank deposits of US$25,295,000 (2015: US$32,643,000) (Note 25), long-term bank deposits of 27,914,000 (2015: US$40,892,000) (Note 25) and trade receivables of US$1,844,112,000 (2015: US$2,098,651,000) (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$10,557,000 (2015: US$59,129,000) (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 2016					
Borrowings and loans	**163,695**	**292,462**	**79,081**	**—**	**535,238**
Interest payments on borrowings and loans	**10,928**	**5,184**	**1,725**	**—**	**17,837**
Trade payables	**2,164,232**	**—**	**—**	**—**	**2,164,232**
Other payables and accruals	**660,109**	**13,762**	**23,024**	**27,460**	**724,355**
Derivative financial instruments	**28,701**	**—**	**—**	**—**	**28,701**
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

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 2016				
Foreign exchange forward contracts				
— Inflow	**4,968,793**	**1,771,988**	**—**	**6,740,781**
— Outflow	**4,946,822**	**1,759,191**	**—**	**6,706,013**
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

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for the compliance of certain financial covenants for maintaining the Group's banking facilities and borrowings 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 2016.

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 2016 and 2015 were as follows:

	2016 **US$'000**	2015 US$'000
Total borrowings and loans (Note 29)	**535,238**	587,046
Payables under discounting arrangement (Note 32)	**303,517**	364,645
Total debts	**838,755**	951,691
Total assets	**5,787,819**	5,931,579
Gearing ratio	**14.5%**	16.0%

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 2016 and 2015. Refer to Note 17 for disclosures of the investment properties that are measured at fair value.

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Available-for-sale financial assets	**1,009**	**—**	**3,737**	**4,746**
Financial assets at fair value through profit or loss	**10,557**	**—**	**20,144**	**30,701**
Derivative financial instruments	**—**	**271,868**	**—**	**271,868**
	11,566	**271,868**	**23,881**	**307,315**
Liabilities				
Derivative financial instruments	**—**	**(219,745)**	**—**	**(219,745)**
Other payable — contingent consideration payable	**—**	**—**	**(2,889)**	**(2,889)**
	—	**(219,745)**	**(2,889)**	**(222,634)**

	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)

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 2016:

	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	**3,969**	**21,560**	**(2,504)**
Additions	**547**	**—**	**—**
Disposals	**(54)**	**—**	**—**
Loss on remeasurement of fair value	**(6)**	**—**	**—**
Unwinding of interests	**—**	**—**	**(377)**
Exchange differences	**(719)**	**(1,416)**	**(8)**
Closing balance	**3,737**	**20,144**	**(2,889)**
Total fair value gain for the year included in consolidated income statement, under 'other losses, net'	**—**	**—**	**—**
Total fair value loss for the year included in other comprehensive income	**(6)**	**—**	**—**

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	—	—	(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	—	—

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

Notes:

(i) The majority of available-for-sales comes from the equity securities in Argentina. 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 cash, temporary investments in a guaranteed fund, a mine and other assets. The fair value of the investments was determined based on discounted cash flow.

(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 5.3%–13.4% 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 2016 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 2016 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 2016			
Derivative financial assets	**271,868**	**(152,721)**	**119,147**
Derivative financial liabilities	**(219,745)**	**152,721**	**(67,024)**
Total	**52,123**	**—**	**52,123**
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

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(a) Current and deferred income tax (Continued)

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.

(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(a) 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 of 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(g) Impairment of property, plant and equipment and intangible assets

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.

An impairment of US$4,301,000 (2015: US$8,321,000) and US$1,932,000 (2015: US$1,181,000) for intangible assets and property, plant and equipment respectively, was recognized during the year ended 31st December 2016, resulting in the carrying amount being written down to its recoverable amount. Refer to Note 14 and 15 for further details.

(h) 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 for the fair value measurement of derivatives.

(i) 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.

(j) Sales rebates

The Group has certain sales rebates arrangements with the customers which are either volume-driven or marketing activities-driven. Significant management estimates and judgement is involved in determining the sales rebates expenses and the related accrual at each reporting date.

(k) 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)

(l) 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 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.

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, prepayments and other assets 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 2016 and 2015 respectively.

	For the year ended 31st December 2016			
	Monitors US$'000	**TVs US$'000**	**Others US$'000**	**Total US$'000**
Revenue	**4,606,362**	**4,490,254**	**711,721**	**9,808,337**
Adjusted operating profit/(loss)	**174,080**	**(80,283)**	**14,789**	**108,586**
Depreciation of property, plant and equipment	**(43,548)**	**(77,200)**	**(245)**	**(120,993)**
Amortization of land use rights	**—**	**—**	**(504)**	**(504)**
Amortization of intangible assets	**(7,203)**	**(10,323)**	**(3,950)**	**(21,476)**
Provision for restructuring costs	**(3,821)**	**(49,345)**	**(62)**	**(53,228)**
Impairment losses on intangible assets	**(229)**	**(697)**	**(3,375)**	**(4,301)**
Impairment losses on property, plant and equipment	**(22)**	**(1,907)**	**(3)**	**(1,932)**
Capital expenditure	**(36,994)**	**(83,790)**	**(399)**	**(121,183)**

	For the year ended 31st December 2015			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'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 intangible assets	—	(8,321)	—	(8,321)
Impairment losses on property, plant and equipment	—	(799)	(382)	(1,181)
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)

Notes to the Consolidated Financial Statements (Continued)

5 SEGMENT INFORMATION (CONTINUED)

The following tables present segment assets as at 31st December 2016 and 2015 respectively.

	As at 31st December 2016			
	Monitors US$'000	**TVs US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**2,133,156**	**2,412,286**	**193,391**	**4,738,833**

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

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

	2016 US$'000	2015 US$'000
Adjusted operating profit for reportable segments	**108,586**	40,685
Unallocated income	**36,060**	38,776
Unallocated expenses	**(19,942)**	(20,481)
Operating profit	**124,704**	58,980
Finance income	**6,905**	7,365
Finance costs	**(36,937)**	(59,164)
Share of profits of associates	**6,652**	7,117
Share of losses of a joint venture	**(2)**	(3)
Profit before income tax	**101,322**	14,295

5 SEGMENT INFORMATION (CONTINUED)

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

	As at 31st December	
	2016	2015
	US$'000	US$'000
Segment assets	**4,738,833**	4,976,919
Investment properties	**203,483**	198,241
Investments in associates	**52,774**	61,237
Investment in a joint venture	**1,347**	1,349
Available-for-sale financial assets	**4,746**	4,758
Deferred income tax assets	**61,081**	77,958
Financial assets at fair value through profit or loss	**30,701**	80,689
Long-term bank deposits	**27,914**	40,892
Current income tax recoverable	**9,982**	5,833
Pledged bank deposits	**3,435**	3,670
Short-term bank deposits	**25,295**	32,643
Cash and cash equivalents	**601,280**	417,312
Other unallocated assets	**26,948**	30,078
Total assets	**5,787,819**	5,931,579

The analysis of revenue by geographical area is as follows:

	2016	2015
	US$'000	US$'000
The PRC	**3,808,705**	4,331,431
Europe	**2,486,348**	2,440,849
North America	**2,035,864**	2,538,883
South America	**561,208**	745,331
Rest of the world	**916,212**	1,005,031
	9,808,337	11,061,525

For the year ended 31st December 2016, revenues of approximately US$819,015,000 (2015: US$1,090,918,000) are derived from a single external customer. These revenues are attributable to the sales of TVs. 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 area are as follows:

	2016	2015
	US$'000	US$'000
The PRC	**650,812**	684,824
Europe	**88,175**	98,023
North America	**12,180**	11,692
South America	**48,257**	50,597
Rest of the world	**450,206**	440,307
	1,249,630	1,285,443

6 OTHER INCOME

	2016 US$'000	2015 US$'000
Fiscal refund, government grant and technical innovation subsidy (Note)	**36,061**	38,776
Income from sales of scrap materials	**4,743**	4,961
Rental income	**11,704**	6,660
Miscellaneous income	**5,935**	9,858
	58,443	60,255

Note:

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

7 OTHER LOSSES, NET

	2016 US$'000	2015 US$'000
Realized and unrealized (losses)/gains on foreign exchange forward and options contracts — net	**(14,075)**	126,823
Realized and unrealized gains on cross currency interest rate swaps — net	**—**	11,040
Net exchange losses	**(22,819)**	(204,799)
Impairment losses on trademarks and patents (Note 14)	**(3,375)**	(8,321)
Loss on disposal of intangible asset	**(7)**	—
Losses on disposals of property, plant and equipment — net (Note 36)	**(1,665)**	(1,431)
Net fair value gains on revaluation of investment properties (Note 17)	**9,590**	2,186
Impairment losses on available-for-sale financial assets (Note 21)	**—**	(263)
(Losses)/gains on disposals of available-for-sale financial assets	**(41)**	773
Fair value gains on financial assets at fair value through profit or loss	**590**	19,483
Gains on disposals of financial assets at fair value through profit or loss	**12,838**	6,812
Release of trademark license fee payable	**—**	2,753
Gain on remeasurement of contingent consideration payable	**—**	3,758
Gains on disposal of a subsidiary	**—**	6,942
Loss on disposal of an associate	**(636)**	—
Release of exchange reserve to profit or loss upon disposal/closure of		
— A subsidiary	**(623)**	—
— An associate	**(362)**	—
	(20,585)	(34,244)

8 OPERATING PROFIT

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

	2016 US$'000	2015 US$'000
Cost of inventories	**8,236,217**	9,497,818
Employee benefit expenses (including directors' emoluments) (Note 9)	**485,440**	507,005
Amortization of intangible assets (Note 14)	**21,476**	26,791
Impairment losses on software (Note 14)	**926**	—
Depreciation of property, plant and equipment (Note 15)	**120,993**	137,333
Impairment losses on property, plant and equipment (Note 15)	**1,932**	1,181
Amortization of land use rights (Note 16)	**504**	444
Operating lease rental for land, buildings and machinery	**20,213**	26,626
Auditor's remuneration (Note)		
— Audit services	**4,284**	4,358
— Non-audit services	**802**	1,207
Provision for impairment of trade receivables (Note 23)	**155**	3,165
Provision for impairment of other receivables (Note 23)	**769**	540
Charge for warranty provisions (Note 33)	**207,876**	240,185
Royalty expense	**66,479**	70,331
Provision for/(reversal of) restructuring and other provisions (Note 33)	**54,589**	(225)
Provision for/write-off of value-added tax recoverables	**4,389**	6,037
Donations	**527**	458

Note:

Auditor's remuneration refers to the amount to PricewaterhouseCoopers as recognized in the consolidated income statement.

9 EMPLOYEE BENEFIT EXPENSES

	2016 US$'000	2015 US$'000
Wages, salaries and welfare	**477,505**	483,672
Termination benefits	**5,047**	7,631
Share options granted to a director and employees	**—**	26
Pension costs — defined contribution plans	**7,135**	11,215
Pension costs — defined benefit plan (Note 31)	**(4,247)**	4,461
	485,440	507,005

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2015: one) director whose emoluments are reflected in the analysis shown in Note 42.

The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

	2016	2015
	US$'000	US$'000
Basic salaries, housing allowances and other benefits in kind	**2,371**	2,338
Discretionary bonuses	**393**	378
	2,764	2,716

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK dollar)		
HK$3,500,001 to HK$4,000,000 (equivalent to US$450,951 to US$515,371)	**–**	1
HK$4,000,001 to HK$4,500,000 (equivalent to US$515,372 to US$579,792)	**2**	–
HK$4,500,001 to HK$5,000,000 (equivalent to US$579,793 to US$644,214)	**1**	–
HK$5,000,001 to HK$5,500,000 (equivalent to US$644,215 to US$708,635)	**–**	2
HK$6,500,001 to HK$7,000,000 (equivalent to US$837,479 to US$901,899)	**–**	1
HK$7,500,001 to HK$8,000,000 (equivalent to US$966,321 to US$1,030,742)	**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	
	2016	2015
Emolument bands (in HK dollar)		
HK$2,000,001 to HK$2,500,000 (equivalent to US$257,686 to US$322,107)	**—**	3
HK$2,500,001 to HK$3,000,000 (equivalent to US$322,108 to US$386,528)	**2**	1
HK$3,000,001 to HK$3,500,000 (equivalent to US$386,529 to US$450,950)	**1**	2
HK$3,500,001 to HK$4,000,000 (equivalent to US$450,951 to US$515,371)	**3**	1
HK$4,000,001 to HK$4,500,000 (equivalent to US$515,372 to US$579,792)	**1**	—
HK$6,500,001 to HK$7,000,000 (equivalent to US$837,479 to US$901,899)	**—**	1
HK$7,500,001 to HK$8,000,000 (equivalent to US$966,321 to US$1,030,742)	**1**	—

10 FINANCE COSTS, NET

	2016	2015
	US$'000	US$'000
Interest expenses		
— Interest expense on bank borrowings and factoring arrangements	**26,698**	39,648
— Interest expense on loans	**1,877**	3,397
Unwinding of interests		
— Unwinding of interests on license fee payable	**7,985**	15,178
— Unwinding of interests on contingent consideration payable	**377**	941
Finance costs	**36,937**	59,164
Interest income on cash at bank and bank deposits	**(6,905)**	(7,365)
Finance costs, net	**30,032**	51,799

11 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2015: 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.

11 INCOME TAX EXPENSE (CONTINUED)

The amount of taxation charged to the consolidated income statement represents:

	2016 **US$'000**	2015 US$'000
Current income tax charge		
— Current year	**36,450**	41,157
— Under/(over)-provision in respect of prior years	**492**	(3,928)
Deferred income tax charge (Note 30)	**20,633**	7,754
Income tax expense	**57,575**	44,983

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate of 25% (2015: 25%) applicable to profit/(loss) of the majority of the consolidated entities as follows:

	2016 **US$'000**	2015 US$'000
Profit before income tax	**101,322**	14,295
Calculated at a taxation rate of 25% (2015: 25%)	**25,330**	3,574
Different taxation rates in other countries (Note)	**405**	14,734
Change of taxation rate	**—**	258
Income not subject to tax	**(15,685)**	(25,816)
Expenses not deductible for tax purposes	**39,833**	42,906
Losses for which no deferred income tax asset was recognized	**6,565**	19,485
Recognition of previously unrecognized deferred income tax assets (including utilization of previously unrecognized tax loss)	**(737)**	(7,791)
Under/(over)-provision in respect of prior years	**492**	(3,928)
Withholding tax on unremitted earnings	**1,372**	1,561
Income tax expense	**57,575**	44,983

Note:

The Group was subject to different tax jurisdictions mainly in the PRC, Belgium and Taiwan with tax rate ranged from 10% to 40%.

12 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2016	2015
Profit/(loss) attributable to owners of the Company (US$'000)	**38,523**	(31,337)
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,636
Basic earnings/(loss) per share (US cents per share)	**1.64**	(1.34)

(b) Diluted

Diluted earnings/(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 as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings/(loss) per share for the years ended 31st December 2016 and 2015 equal basic earnings/(loss) per share as the exercise of the outstanding share options would be anti-dilutive.

13 DIVIDENDS

	2016 **US$'000**	2015 US$'000
Final, proposed, of US0.49 cent (2015: US0.128 cent) per ordinary share	**11,494**	3,002

A dividend in respect of the year ended 31st December 2016 of US0.49 cent per share (2015: US0.128 cent per share) was proposed by the Board of directors on 16th March 2017 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to US$11,494,000 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 2017.

14 INTANGIBLE ASSETS

	Goodwill	Trademarks and patents	Software	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2015					
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	—	—	(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
Year ended 31st December 2016					
Opening net book amount	**393,986**	**36,390**	**18,398**	**75**	**448,849**
Exchange differences	**—**	**(228)**	**(153)**	**—**	**(381)**
Additions	**—**	**31,690**	**4,765**	**—**	**36,455**
Disposals	**—**	**—**	**(7)**	**—**	**(7)**
Amortization (Note 8)	**—**	**(16,259)**	**(5,142)**	**(75)**	**(21,476)**
Impairment (Notes 7 and 8)	**—**	**(3,375)**	**(926)**	**—**	**(4,301)**
Closing net book amount	**393,986**	**48,218**	**16,935**	**—**	**459,139**
At 31st December 2016					
Cost	**393,986**	**225,928**	**42,295**	**550**	**662,759**
Accumulated amortization and impairment	**—**	**(177,710)**	**(25,360)**	**(550)**	**(203,620)**
Net book amount	**393,986**	**48,218**	**16,935**	**—**	**459,139**

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$16,412,000 (2015: US$20,629,000), US$94,000 (2015: US$694,000), US$4,623,000 (2015: US$5,180,000) and US$347,000 (2015: US$288,000) respectively in the consolidated income statement.

(ii) Impairment charge for the Group is included in 'other losses, net' and 'administrative expenses' amounted to US$3,375,000 (2015: US$8,321,000) and US$926,000 (2015: Nil) respectively 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:

	2016	2015
	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. 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 2016 and 2015 are as follows:

	2016		2015	
	Monitors	**TVs**	Monitors	TVs
Gross profit margin growth (CAGR*)	**–0.7%**	**3.6%**	–0.7%	4.2%
Revenue growth (CAGR*)	**–0.3%**	**5.6%**	0.5%	2.8%
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

Notes to the Consolidated Financial Statements (Continued)

14 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

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 2016 and 2015.

If the forecasted revenue growth rate had been lowered by one percentage point for the Group's monitors business and TV business for each of the five-year projection period , the recoverable amounts would be lowered by 5% and 1% respectively, but would still exceed their carrying amounts.

If the forecasted gross profit margin had been lowered by 50 basis point for the Group's monitors business and TV business for each of the forecasted five-year projection period, the recoverable amounts would be lowered by 15% and 14% respectively, but would still exceed their carrying amounts.

Impairment tests for trademarks

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.

During the year ended 31st December 2016, management considered there were impairment indicators in relation to one of the mobile phone trademark due to continuous losses suffered in the 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, the trademark was fully impaired with impairment charge of US$3,375,000 for the year ended 31st December 2016.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong	Buildings outside Hong Kong	Land and buildings in Hong Kong	Leasehold improvements	Machinery and equipment	Moulds	Electrical appliances and equipment	Transportation equipment	Furniture, fixtures and miscellaneous equipment	Construction-in-progress	Total
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Year ended 31st December 2016											
Opening 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**
Exchange differences	**1,912**	**1,264**	**–**	**262**	**299**	**57**	**525**	**(22)**	**161**	**(38)**	**4,420**
Additions	**–**	**2,408**	**–**	**2,508**	**11,652**	**53,379**	**8,481**	**416**	**4,045**	**1,839**	**84,728**
Disposals	**–**	**(3)**	**–**	**(1,093)**	**(3,625)**	**(213)**	**(195)**	**(189)**	**(780)**	**(122)**	**(6,220)**
Depreciation (Note 8)	**–**	**(13,210)**	**(298)**	**(12,589)**	**(14,265)**	**(62,435)**	**(11,698)**	**(585)**	**(5,913)**	**–**	**(120,993)**
Reclassification	**–**	**–**	**–**	**–**	**1,066**	**1,374**	**–**	**70**	**397**	**(2,907)**	**–**
Provision for impairment losses (Note 8)	**–**	**–**	**–**	**(1,226)**	**–**	**–**	**(70)**	**–**	**(560)**	**(76)**	**(1,932)**
Closing net book amount	**30,731**	**249,133**	**4,915**	**43,467**	**79,942**	**56,407**	**31,256**	**1,253**	**14,246**	**2,910**	**514,260**
At 31st December 2016											
Cost	**30,731**	**330,262**	**6,629**	**97,278**	**165,742**	**304,206**	**168,046**	**5,508**	**60,441**	**3,053**	**1,171,896**
Accumulated depreciation	**–**	**(81,129)**	**(1,714)**	**(52,499)**	**(84,219)**	**(247,799)**	**(136,392)**	**(4,255)**	**(45,427)**	**–**	**(653,434)**
Accumulated impairment losses	**–**	**–**	**–**	**(1,312)**	**(1,581)**	**–**	**(398)**	**–**	**(768)**	**(143)**	**(4,202)**
Net book amount	**30,731**	**249,133**	**4,915**	**43,467**	**79,942**	**56,407**	**31,256**	**1,253**	**14,246**	**2,910**	**514,260**

	Freehold land outside Hong Kong	Buildings outside Hong Kong	Land and buildings in Hong Kong	Leasehold improvements	Machinery and equipment	Moulds	Electrical appliances and equipment	Transportation equipment	Furniture, fixtures and miscellaneous equipment	Construction-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	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	–	–	–	(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

Depreciation expense of US$97,338,000 (2015: US$112,234,000) has been charged in 'cost of sales', US$2,476,000 (2015: US$2,082,000) in 'selling and distribution expenses', US$16,682,000 (2015: US$17,906,000) in 'administrative expenses' and US$4,497,000 (2015: US$5,111,000) in 'research and development expenses' respectively. Impairment loss of US$1,932,000 has been charged in 'research and development expenses' (2015: US$1,181,000 in 'costs of sales') during the year.

No borrowing costs have been capitalized on qualifying assets during the year (2015: US$1,709,000).

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No property, plant and equipment is restricted nor pledged as security for liabilities as at years ended 31st December 2016 and 2015.

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:

	2016 **US$'000**	2015 US$'000
At 1st January	**19,718**	20,565
Exchange differences	**(587)**	(403)
Amortization (Note 8)	**(504)**	(444)
At 31st December	**18,627**	19,718

Amortization of US$101,000 (2015: US$8,000) has been charged in 'cost of sales', US$112,000 (2015: US$118,000) in 'selling and distribution expenses' and US$291,000 (2015: US$318,000) in 'administrative expenses' respectively.

17 INVESTMENT PROPERTIES

	2016 **US$'000**	2015 US$'000
At 1st January	**198,241**	188,087
Exchange differences	**(5,670)**	(3,647)
Additions	**1,322**	11,615
Net revaluation gains credited to consolidated income statement (Note 7)	**9,590**	2,186
At 31st December	**203,483**	198,241

Note:

The Group leases out some of the investment properties under operating leases, for a period of one to twentieth years (2015: one to fifteen years). Rental income from these investment properties for the year amounted to US$10,302,000 (2015: US$6,397,000).

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 2016 and 2015. 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.

17 INVESTMENT PROPERTIES (CONTINUED)

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

	2016 US$'000	2015 US$'000
Recurring fair value measurements		
Investment properties:		
— Industrial buildings — the PRC	**110,417**	101,324
— Industrial building — Poland	**7,536**	7,818
— Office and commercial building — the PRC	**85,530**	89,099
	203,483	198,241

	Industrial buildings — the PRC US$'000	**Office and commercial building — the PRC US$'000**	**Industrial building — Poland US$'000**	**Total US$'000**
At 1st January 2016	**101,324**	**89,099**	**7,818**	**198,241**
Exchange differences	**—**	**(5,670)**	**—**	**(5,670)**
Additions	**—**	**1,322**	**—**	**1,322**
Net revaluation gains/(losses) charged to consolidated income statement	**9,093**	**779**	**(282)**	**9,590**
At 31st December 2016	**110,417**	**85,530**	**7,536**	**203,483**
Total unrealized gains/(losses) for the year included in consolidated income statement, under 'other losses, net'	**9,093**	**779**	**(282)**	**9,590**

	Industrial buildings — the PRC US$'000	Office and commercial building — the PRC US$'000	Industrial building — Poland US$'000	Total US$'000
At 1st January 2015	98,781	80,925	8,381	188,087
Exchange differences	(9)	(3,638)	—	(3,647)
Additions	—	11,615	—	11,615
Net revaluation gains/(losses) charged to consolidated income statement	2,552	197	(563)	2,186
At 31st December 2015	101,324	89,099	7,818	198,241
Total unrealized gains/(losses) for the year included in consolidated income statement, under 'other losses, net'	2,552	197	(563)	2,186

Valuation processes of the Group

The Group's investment properties were valued at 31st December 2016 and 2015 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.

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group (Continued)

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 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 (US$'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial buildings — the PRC	2016: 110,417 (2015: 101,324)	Income approach	Rent	2016: RMB0.50–RMB2.97 per square meter per day (2015: RMB0.55–RMB1.90 per square meter per day)	The higher the rent, the higher the fair value.
			Term yield	2016: 6.5%–9.0% (2015: 6.5%–9.0%)	The higher the yield, the lower the fair value.
			Reversionary yield	2016: 7.0%–9.5% (2015: 7.0%–9.5%)	The higher the yield, the lower the fair value.
			Vacancy rate	2016: 5.0%–10.0% (2015: 5.0%)	The higher the vacancy rate, the lower the fair value.
Industrial building — Poland	2016: 7,536 (2015: 7,818)	Income capitalization approach	Rent	2016: EUR2.0–EUR8.0 per square meter per month (2015: EUR2.0–EUR8.0 per square meter per month)	The higher the rent, the higher the fair value.
			Capitalization rate	2016: 9.5% (2015: 9.5%)	The higher the capitalization rate, the lower the fair value.
Office and commercial building — the PRC	2016: 85,530 (2015: 89,099)	Income approach	Rent	2016: RMB3.80–RMB5.00 per square meter per day (2015: RMB4.17–RMB5.5 per square meter per day)	The higher the rent, the higher the fair value
			Term yield	2016: 4.5%–5.0% (2015: 4.5%–5.0%)	The higher the yield, the lower the fair value
			Reversionary yield	2016: 5.0%–5.5% (2015: 5.0%–5.5%)	The higher the yield, the lower the fair value
			Vacancy rate	2016: 5.0% (2015: 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 2016:

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 interests
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 (Fuqing) Company Limited (Note b)	The PRC, limited liability company	Production and sales of touch screen products	Paid-in capital of US$35,000,000	–	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 Productos Eléctricos S.A. (Note e)	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%	–

18 SUBSIDIARIES (CONTINUED)

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 interests
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 Limited[1] (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)	The PRC, limited liability Company	Production and distribution of mobile phone and tele-communication products	Paid-in capital of US$67,700,000	–	100%	–
Sangfei CEC Electronics Rus LLC	Russia	Trading of mobile phone and tele-communication products	Paid-in capital of US$35,700,000	–	100%	–
Sangfei CEC Elektronik Ticaret A.Ş.	Turkey	Trading of mobile phone and tele-communication products	Paid-in capital of EUR300,000	–	100%	–

[1] English translation is for identification purpose only.

Notes:

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

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

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

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

(e) Fábrica Austral de Productos 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

	2016 US$'000	2015 US$'000
At 1st January	**61,237**	62,119
Exchange differences	**(3,476)**	(3,014)
Dividends	**(5,586)**	(4,985)
Share of profits charged to consolidated income statement	**6,652**	7,117
Capital reduction	**(2,606)**	—
Disposal	**(3,447)**	—
At 31st December	**52,774**	61,237

Set out below is the associate of the Group as at 31st December 2016, 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 2016 and 2015:

Name of entity	Place of establishment	% of interest held indirectly	Nature of the relationship	Measurement method
L&T Display Technology (Fujian) Limited ("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 2016 and 2015, there are no significant contingent liabilities and capital commitment relating to the Group's interest in the associate.

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.

	2016 US$'000	2015 US$'000
Summarized balance sheet		
Non-current assets	**27,043**	22,064
Current assets	**288,096**	287,465
Non-current liabilities	**—**	—
Current liabilities	**(249,714)**	(243,121)
Net assets	**65,425**	66,408
Summarized income statement		
Revenue	**1,151,631**	1,139,875
Profit from continuing operation	**15,349**	16,463
Other comprehensive income for the year	**—**	—
Total comprehensive income for the year	**15,349**	16,463
Dividend	**11,400**	10,155

Notes to the Consolidated Financial Statements (Continued)

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

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.

	2016 **US$'000**	2015 US$'000
Opening net assets as at 1st January	**66,408**	62,878
Exchange differences	**(4,932)**	(2,778)
Profit for the year	**15,349**	16,463
Other comprehensive income	**—**	—
Dividends	**(11,400)**	(10,155)
Closing net assets as at 31st December	**65,425**	66,408
Interest in the associate	**49%**	49%
Net assets attributable to the Group as at 31st December before elimination	**32,058**	32,540
Elimination of unrealized profit	**(408)**	(316)
Net asset attributable to the Group as at 31st December	**31,650**	32,224
Investments in other associates (Note)	**21,124**	29,013
Carrying value as at 31st December	**52,774**	61,237

Note:

Amounts represents aggregate information of other associates

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

	2016 **US$'000**	2015 US$'000
Loss for the year	**(777)**	(723)
Other comprehensive income for the year	**—**	—
Total comprehensive loss for the year	**(777)**	(723)

Reconciliation of share of profits/(losses) from associates:

	2016 **US$'000**	2015 US$'000
L&T Fujian	**7,429**	7,840
Other associates	**(777)**	(723)
	6,652	7,117

20 INVESTMENT IN A JOINT VENTURE

	2016	2015
	US$'000	US$'000
At 1st January	**1,349**	1,352
Share of loss charged to consolidated income statement	**(2)**	(3)
At 31st December	**1,347**	1,349

The directors are of the opinion that the joint venture is not material to the Group as at 31st December 2016 and 2015. The Group's joint venture is unlisted as at 31st December 2016 and 2015. The Group's share of result of this joint venture and its aggregated assets and liabilities, are as follows:

			Attributable to the Group 2016				
Name	**Particulars of issued shares held/ registered capital**	**Place of incorporation**	**Assets**	**Liabilities**	**Revenue**	**Loss for the year**	**Interest held indirectly**
			US$'000	US$'000	US$'000	US$'000	
BriVictory Display Technology (Labuan) Corp.	15,999,998 ordinary shares with US$1 each	Malaysia	**1,347**	**—**	**—**	**(2)**	**49%**
			2015				
			1,349	—	—	(3)	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 2016 and 2015.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	US$'000	US$'000
At 1st January	**4,758**	6,219
Exchange differences	**(694)**	(1,959)
Additions	**547**	1,103
Disposals	**(54)**	(345)
Fair value gains	**189**	3
Impairment loss charged to consolidated income statement (Note 7)	**—**	(263)
At 31st December	**4,746**	4,758
Less: non-current portion	**(4,746)**	(4,758)
Current portion	**—**	—

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets include the following:

	2016	2015
	US$'000	US$'000
Listed securities:		
— Equity securities — Taiwan	**1,009**	789
Unlisted securities		
— Equity securities — Argentina	**3,720**	3,894
— Equity securities — Taiwan	**17**	75
	4,746	4,758

Details of the fair value measurements are set out in Note 3.3 to the financial statements.

22 INVENTORIES

	2016	2015
	US$'000	US$'000
Raw materials	**490,851**	455,506
Work-in-progress	**135,953**	86,540
Finished goods	**755,221**	739,938
Production supplies	**2,445**	2,407
	1,384,470	1,284,391

The cost of inventories charged in "cost of sales" amounted to US$8,236,217,000 (2015: US$9,497,818,000), which included inventory provision charge of US$49,694,000 (2015: US$74,511,000).

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

	2016 **US$'000**	2015 US$'000
Non-current		
Prepayments	**—**	1,792
Other assets	**—**	37,783
Other receivables	**23,503**	36,972
	23,503	76,547
Current		
Trade receivables	**1,866,570**	2,121,565
Less: Provision for impairment of trade receivables	**(22,458)**	(22,914)
Trade receivables, net	**1,844,112**	2,098,651
Deposits	**6,334**	5,858
Prepayments	**38,764**	34,582
Other receivables		
— Value-added tax recoverable	**136,440**	185,456
— Others	**68,264**	65,202
	249,802	291,098
Total	**2,117,417**	2,466,296

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.

At 31st December 2016 and 2015, the ageing analysis of gross trade receivables based on invoice date was as follows:

	2016 **US$'000**	2015 US$'000
0–30 days	**925,252**	992,171
31–60 days	**609,731**	735,090
61–90 days	**227,833**	251,521
91–120 days	**36,719**	46,791
Over 120 days	**67,035**	95,992
	1,866,570	2,121,565

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

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 past due but not impaired as at 31st December 2016.

As at 31st December 2016, gross trade receivables of US$79,314,000 (2015: US$107,634,000) 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 but not impaired trade receivables is as follows:

	2016 **US$'000**	2015 US$'000
1–90 days	**57,546**	48,746
91–120 days	**5,582**	1,189
Over 120 days	**16,186**	57,699
	79,314	107,634

As at 31st December 2016, gross trade receivables of US$31,394,000 (2015: US$30,230,000) were impaired. The amount of the provision was US$22,458,000 as at 31st December 2016 (2015: US$22,914,000). 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 un-impaired portion of these receivables to be recoverable, including an amount of US$8,936,000 (2015: US$7,316,000) due from a customer in Russia which is partially covered by credit insurance.

The ageing analysis of these impaired receivables is as follows:

	2016 **US$'000**	2015 US$'000
Over 120 days	**31,394**	30,230

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

	2016 **US$'000**	2015 US$'000
At 1st January	**22,914**	30,608
Provision for impairment of trade receivables (Note 8)	**155**	3,165
Receivables written off during the year as uncollectible	**(1,381)**	(8,974)
Disposal of subsidiary	**—**	(290)
Exchange differences	**770**	(1,595)
At 31st December	**22,458**	22,914

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$769,000 (2015: US$540,000) 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.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 US$'000	2015 US$'000
Current		
Listed securities, at market value:		
— Equity securities — Taiwan	—	2,301
— Equity securities — Argentina	**10,557**	56,828
	10,557	59,129
Non-current		
Unlisted securities		
— Equity securities — The PRC (Note)	**20,144**	21,560
	30,701	80,689

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$2,517,986,000). TVI owns 0.8% equity interests and contributes RMB140,000,000 (approximately US$20,144,000) 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$20,144,000) 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

	2016 **US$'000**	2015 US$'000
Non-current		
Long-term bank deposits (Note a)	**27,914**	40,892
Current		
Cash and cash equivalents (Note b)	**601,280**	417,312
Short-term bank deposits (Note b)	**25,295**	32,643
	626,575	449,955
Pledged bank deposits (Note 35)	**3,435**	3,670
	630,010	453,625
Total	**657,924**	494,517

Notes:

(a) The long-term bank deposits are with 3-year terms which bear interest at an average rate of 2.53% (2015: 2.97%) per annum and will be matured in 2018 (2015: 2017 to 2018).

(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 2016 bear interest at an average rate of 2.96% (2015: 2.93%) per annum with maturity from January 2017 to September 2017 (2015: from May 2016 to November 2016), 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

	2016 **US$'000**	2015 US$'000
Authorized:		
4,000,000,000 (2015: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2015: 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:

	2016		2015	
	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:

	2016		2015	
	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**	**29,470**	5.008	33,770
Lapsed (Note a)	**5.008**	**(7,800)**	5.008	(4,300)
At 31st December	**5.008**	**21,670**	5.008	29,470

All outstanding options (2015: all) were exercisable.

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

		Number of share options (thousands)	
Expiry date	**Exercise price in HK$ per share option**	**2016**	2015
17th January 2021 (Note b)	5.008	**21,670**	29,470

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.

Notes:

(a) During the year, 7,800,000 (2015: 4,300,000) 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 (approximately US$0.65) 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	Capital reserve	Share redemption reserve	Employee share-based compensation reserve	Exchange reserve	Reserve fund (Note a)	Merger difference (Note b)	Available-for-sale financial assets fair value reserve	Assets revaluation surplus	Other reserves (Note c)	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at January 2016	759,464	68,202	12	19,951	(127,936)	103,185	45,441	482	41,387	(142,564)	832,497	1,600,121
Profit for the year	–	–	–	–	–	–	–	–	–	–	38,523	38,523
Fair value gains on available-for-sale financial assets (Note 21)	–	–	–	–	–	–	–	189	–	–	–	189
Currency translation differences												
– Group	–	–	–	–	13,854	–	–	–	–	–	–	13,854
– Associates and a joint venture	–	–	–	–	(3,475)	–	–	–	–	–	–	(3,475)
Release of exchange reserve to profit or loss upon disposal/closure of												
– A subsidiary	–	–	–	–	623	–	–	–	–	–	–	623
– An associate	–	–	–	–	362	–	–	–	–	–	–	362
Transfer from retained profits (Note d)	–	7,444	–	–	–	4,137	–	–	–	–	(11,581)	–
Remeasurement of pension obligations, net of tax (Note 31)	–	–	–	–	–	–	–	–	–	–	(1,596)	(1,596)
2015 final dividends paid	–	–	–	–	–	–	–	–	–	–	(3,002)	(3,002)
At 31st December 2016	759,464	75,646	12	19,951	(116,572)	107,322	45,441	671	41,387	(142,564)	854,841	1,645,599

	Share premium	Capital reserve	Share redemption reserve	Employee share-based compensation reserve	Exchange reserve	Reserve fund (Note a)	Merger difference (Note b)	Available-for-sale financial assets fair value reserve	Assets revaluation surplus	Other reserves (Note c)	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2015	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	–	–	–	–	–	–	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

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 offsetting 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; 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.

(d) In accordance with the relevant Brazil regulations, the tax incentive granted by the local government could not be distributed and the entity is required to reserve the entire amount under relevant standards. For the year ended 31st December 2016, US$7,444,000 was transferred from retained profits to capital reserve.

29 BORROWINGS AND LOANS

	2016	2015
	US$'000	US$'000
Non-current		
Bank borrowings (Note a)	**371,543**	342,689
Loans (Note b)	**—**	98,392
	371,543	441,081
Current		
Bank overdraft (Note a)	**4,802**	32,649
Bank borrowings (Note a)	**64,056**	113,316
Loans (Note b)	**94,837**	—
	163,695	145,965
Total borrowings and loans	**535,238**	587,046

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 2016, loans amounting to EUR30,000,000 and EUR60,000,000 are repayable on 1st April 2017 and 30th May 2017 respectively.

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 2016, the Group's borrowings and loans were repayable as follows:

	2016	2015
	US$'000	US$'000
Within one year	**163,695**	145,965
Between one and two years	**292,462**	176,905
Between two and five years	**79,081**	264,176
	535,238	587,046

The exposure of the Group's borrowings and loans to interest rate change at 31st December 2016 is disclosed in Note 3.

As at 31st December 2016 and 2015, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2016	2015
	US$'000	US$'000
Total available and undrawn facilities	**2,145,179**	2,320,946

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:

	2016	2015
	US$'000	US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**22,724**	32,814
— Deferred income tax assets to be recovered within 12 months	**38,357**	45,144
	61,081	77,958
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	**(18,630)**	(16,208)
— Deferred income tax liabilities to be settled within 12 months	**(20,878)**	(18,972)
	(39,508)	(35,180)
Deferred income tax assets (net)	**21,573**	42,778

30 DEFERRED INCOME TAX (CONTINUED)

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

	2016	2015
	US$'000	US$'000
At 1st January	**42,778**	58,092
Exchange differences	**121**	(4,671)
Deferred tax charged to consolidated income statement (Note 11)	**(20,633)**	(7,754)
Deferred tax charged to equity	**(693)**	(620)
Disposal of subsidiaries	**—**	(2,269)
At 31st December	**21,573**	42,778

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**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**57,429**	63,081	**4,479**	4,673	**4,860**	4,603	**31,604**	36,053	**18,004**	26,556	**116,376**	134,966
Exchange differences	**(485)**	(3,400)	**(138)**	(478)	**—**	—	**(447)**	(1,889)	**(329)**	(2,791)	**(1,399)**	(8,558)
(Charged)/credited to consolidated income statement	**(1,149)**	17	**(1,720)**	904	**(346)**	257	**(20,293)**	(2,560)	**(4,815)**	(5,761)	**(28,323)**	(7,143)
(Charged)/credited to equity	**—**	—	**(693)**	(620)	**—**	—	**—**	—	**—**	—	**(693)**	(620)
Disposal of subsidiaries	**—**	(2,269)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(2,269)
At 31st December	**55,795**	57,429	**1,928**	4,479	**4,514**	4,860	**10,864**	31,604	**12,860**	18,004	**85,961**	116,376

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**		**Others**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**(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)
Exchange differences	**—**	—	**—**	—	**977**	217	**8**	287	**520**	3,370	**15**	13	**1,520**	3,887
(Charged)/credited to consolidated income statement	**(3,529)**	(9,226)	**(2,422)**	(479)	**(981)**	(1,561)	**17**	3,099	**14,355**	7,470	**250**	86	**7,690**	(611)
At 31st December	**(14,448)**	(10,919)	**(18,630)**	(16,208)	**(14,182)**	(14,178)	**(170)**	(195)	**(16,774)**	(31,649)	**(184)**	(449)	**(64,388)**	(73,598)

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$ 564,025,000 (2015: US$457,637,000) that can be carried forward against future taxable income. Losses amounting to US$ 354,320,000 (2015: US$296,306,000) expire from 2017 to 2026.

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$742,158,000 at 31st December 2016 (2015: US$588,902,000). Such amounts are considered by the directors to be permanently reinvested.

Notes to the Consolidated Financial Statements (Continued)

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 projected unit credit method.

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

	As at 31st December	
	2016	2015
	US$'000	US$'000
Present value of funded obligations	**48,463**	53,762
Fair value of plan assets	**(37,400)**	(33,176)
	11,063	20,586
Present value of unfunded obligations	**3,510**	2,504
Liability in the consolidated balance sheet	**14,573**	23,090
Less: Current portion	**(2,114)**	(2,438)
Non-current portion	**12,459**	20,652

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:

	2016	2015
	US$'000	US$'000
Current service cost	**2,288**	3,212
Past service cost (Note)	**(6,925)**	882
Interest cost	**1,039**	851
Interest income on plan assets	**(649)**	(484)
Total expenses, included in employee benefit expenses (Note 9)	**(4,247)**	4,461

Note:

Past service cost of US$6,925,000 has been credited in the consolidated income statement due to the curtailment occurred in the restructuring exercise during the year.

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 2016	**56,266**	**(33,176)**	**23,090**
Past Service Cost	**(6,925)**	**—**	**(6,925)**
Current service cost	**2,288**	**—**	**2,288**
Interest expenses/(income)	**1,039**	**(649)**	**390**
Remeasurement arising from experience adjustment and changes in actuarial assumptions	**2,818**	**25**	**2,843**
Return on plan assets	**—**	**(554)**	**(554)**
Exchange differences	**(1,450)**	**1,245**	**(205)**
Contributions:			
— Employers	**—**	**(6,909)**	**(6,909)**
— Plan participants	**309**	**—**	**309**
Benefit payments	**(2,671)**	**2,618**	**(53)**
Others	**299**	**—**	**299**
At 31st December 2016	**51,973**	**(37,400)**	**14,573**

Movements in the pension obligation 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
Past service cost	882	—	882
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	(184)	—	(184)
At 31st December 2015	56,266	(33,176)	23,090

Upon the remeasurement of loss pension obligation as at year end, a net loss of US$1,596,000 (2015: net gain of US$815,000), representing remeasurement loss on pension obligations of US$2,289,000 (2015: gain of US$1,435,000), net of deferred tax of US$693,000 (2015: US$620,000) was recognized in other comprehensive income during the year.

Notes to the Consolidated Financial Statements (Continued)

31 PENSION OBLIGATIONS (CONTINUED)

The significant actuarial assumptions used are as follows:

	2016	2015
Discount rates (per annum)	**1.30%–2.13%**	1.70%–2.00%
Salary growth rate (per annum)	**3.11%–3.50%**	2.55%–3.50%

The sensitivity of the overall pension liability to changes in the weighted principal assumption is as follow:

	Change in assumption	**Impact on defined benefit obligation — Increase/ (decrease)**
		US$'000
For pension plan in Taiwan:		
Discount rates (per annum)	+1%	(746)
	–1%	873
Salary growth rate (per annum)	+1%	758
	–1%	(666)

	Change in assumption	**Impact on defined benefit obligation — Increase/ (decrease)**
		US$'000
For pension plan in Europe:		
Discount rates (per annum)	+0.5%	(1,241)
	–0.5%	1,355
Salary growth rate (per annum)	+0.5%	457
	–0.5%	(429)

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:

	2016		2015	
	US$'000	**%**	US$'000	%
Equities	**2,600**	**7%**	1,823	5%
Debt securities	**26,638**	**71%**	27,518	83%
Cash and deposits	**3,913**	**10%**	192	1%
Properties	**3,356**	**9%**	2,887	9%
Others	**893**	**3%**	756	2%
	37,400	**100%**	33,176	100%

Expected contributions to the pension plans for the year ending 31st December 2017 will be US$2,277,000 (2016: US$2,434,000).

The weighted average duration of the defined benefit obligation is 12.5 years (2015: 11.3 years).

Expected maturity analysis of undiscounted pension:

	2016	2015
	US$'000	US$'000
Less than 1 year	**1,854**	2,125
Over 1 year	**58,594**	73,445
	60,448	75,570

Notes to the Consolidated Financial Statements (Continued)

32 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2016 US$'000	2015 US$'000
Non-current		
License fee payable	**34,086**	44,700
Contingent consideration payable (Note)	**2,889**	2,504
Accrued employee benefits	**2,175**	847
Others	**2,078**	1,078
	41,228	49,129
Current		
Trade payables	**2,164,232**	2,215,034
Other payables and accruals		
— Accrued employee benefits	**99,733**	101,812
— Accrued operating expenses	**129,293**	134,612
— Duty and tax payable other than income tax	**55,161**	53,641
— License fee payable	**45,755**	60,735
— Payables under discounting arrangement	**303,517**	364,645
— Payables for purchase of property, plant and equipment	**86,455**	99,136
— Royalty payables	**126,052**	141,005
— Others	**43,169**	87,985
	889,135	1,043,571
Total	**3,094,595**	3,307,734

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 2016 and 2015, the ageing analysis of trade payables based on invoice date was as follows:

	2016 US$'000	2015 US$'000
0–30 days	**808,140**	885,150
31–60 days	**736,160**	628,630
61–90 days	**309,391**	339,067
Over 90 days	**310,541**	362,187
	2,164,232	2,215,034

33 PROVISIONS

	2016				2015			
	Warranty provision US$'000	**Restructuring provision US$'000**	**Other provision US$'000**	**Total US$'000**	Warranty provision US$'000	Restructuring provision US$'000	Other provision US$'000	Total US$'000
As at 1st January	**152,876**	**753**	**2,728**	**156,357**	118,973	4,711	2,532	126,216
Exchange differences	**(3,753)**	**(1,578)**	**(44)**	**(5,375)**	(6,183)	(524)	(151)	(6,858)
Charged/(credited) to consolidated income statement (Note 8)	**207,876**	**53,228**	**1,361**	**262,465**	240,185	(702)	477	239,960
Utilized during the year	**(179,512)**	**(43,567)**	**(3)**	**(223,082)**	(200,099)	(2,732)	(130)	(202,961)
As at 31st December	**177,487**	**8,836**	**4,042**	**190,365**	152,876	753	2,728	156,357
Non-current liabilities	**—**	**—**	**1,570**	**1,570**	—	—	2,583	2,583
Current liabilities	**177,487**	**8,836**	**2,472**	**188,795**	152,876	753	145	153,774
Total	**177,487**	**8,836**	**4,042**	**190,365**	152,876	753	2,728	156,357

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 2016 and 2015 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 in 2016, including the transfer of the operation of a wholly-owned subsidiary of the Company in Brazil located in the city of Jundiai for the production of IT products being transferred to an existing plant in the city of Manaus. Besides, there was the conversion of the I&D Center in Ghent, Belgium, into an innovation, development and technical support center. Some of the activities at the site are being transferred to the existing I&D centers of the Group in mainland China and Taiwan. For the year ended 31st December 2016, restructuring costs of US$53,228,000 were provided for the restructuring programs. An amount of US$43,567,000 was utilized in the period. An amount of US$8,836,000 is expected to be utilized within the next twelve months.

34 DERIVATIVE FINANCIAL INSTRUMENTS

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	US$'000	**US$'000**	US$'000	US$'000
Foreign exchange forward and options contracts (Note)	**271,868**	**(219,745)**	233,486	(173,406)
Less non-current portion:				
— Foreign exchange forward and options contracts (Note)	**67,227**	**(55,565)**	63,161	(44,834)
Current portion	**204,641**	**(164,180)**	170,325	(128,572)

Changes in fair values of derivative financial instruments are recorded in 'other losses, net' in the consolidated income statement (Note 7).

Note:

Foreign exchange forward and options contracts

The total notional principal amounts of the outstanding foreign exchange forward and options contracts as at 31st December 2016 and 2015 are as follows:

	2016	2015
	US$'000	US$'000
Sell US dollar for Renminbi	**3,537,000**	6,731,800
Sell Renminbi for US dollar	**3,807,000**	6,144,800
Sell Euro for US dollar	**827,704**	1,268,782
Sell Brazilian real for US dollar	**120,000**	486,720
Sell Russian ruble for US dollar	**60,000**	55,000
Sell Indian rupee for US dollar	**60,000**	70,000
Sell Chilean peso for US dollar	**10,000**	40,000
Sell Peruvian nuevo sol for US dollar	**24,000**	—
Sell Mexican peso for US dollar	**10,000**	—
Sell British pound for US dollar	**10,042**	—
Other currency pairs	**2,200**	1,280
Total	**8,467,946**	14,798,382

35 PLEDGE OF ASSETS

As at 31st December 2016, the Group's bank deposits of US$3,435,000 (2015: US$3,670,000) was pledged as security primarily for banking facilities of the Group for which US$3,435,000 (2015: US$3,670,000) 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

	2016 US$'000	2015 US$'000
Operating profit	**124,704**	58,980
Depreciation of property, plant and equipment	**120,993**	137,333
Amortization of land use rights	**504**	444
Amortization of intangible assets	**21,476**	26,791
Losses on disposals of property, plant and equipment and land use rights — net (Note)	**1,665**	1,431
Loss on disposal of intangible asset	**7**	—
Share options granted to a director and employees	**—**	26
Net unrealized exchange losses	**37,173**	181,882
Fair value gains on revaluation of investment properties	**(9,590)**	(2,186)
Fair value gains on financial assets at fair value through profit or loss	**(590)**	(19,483)
Gains on disposals of financial assets at fair value through profit or loss	**(12,838)**	(6,812)
Losses/(gains) on disposals of available-for-sale financial assets	**41**	(773)
Impairment losses on property, plant and equipment	**1,932**	1,181
Impairment losses on trademarks and patents	**3,375**	8,321
Impairment losses on software	**926**	—
Impairment losses on available-for-sales financial assets	**—**	263
Release of trademark license fee payable	**—**	(2,753)
Gains on remeasurement of contingent consideration payable	**—**	(3,758)
Loss on disposal of an associate	**636**	—
Release of exchange reserve upon disposal of an associate	**362**	—
Loss on disposal of a subsidiary	**—**	(6,942)
Release of exchange reserve upon loss on closure of a subsidiary	**623**	—
Operating profit before working capital changes	**291,399**	373,945
Changes in working capital (excluding the effects of acquisition, disposal and exchange differences on consolidation):		
— inventories	**(109,344)**	57,722
— trade receivables	**237,225**	(115,927)
— deposits, prepayments and other receivables	**101,622**	159,368
— trade payables	**(45,084)**	(149,109)
— provisions, other payables and accruals and pension obligations	**(84,479)**	(77,602)
Net cash generated from operations	**391,339**	248,397

Note: In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment and land use rights comprise:

	2016 US$'000	2015 US$'000
Net book amount of property, plant and equipment (Note 15)	**6,220**	9,924
Losses on disposals of property, plant and equipment — net (Note 7)	**(1,665)**	(1,431)
Proceeds from disposals of property, plant and equipment and land use rights	**4,555**	8,493
Cash received from other receivables resulted from disposal	**—**	51,582
Total proceeds from disposals of property, plant and equipment and land use rights	**4,555**	60,075

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 cases will have a material adverse effect on the Group's financial position or results of operations, the results of those cases are inherently unpredictable. The directors are of the opinion that the details of these cases 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.

The court dismissed the case according to a commercial settlement between the parties during the year.

(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 8th March 2016, the case was dismissed by the U.S. Court of Appeals for the Federal Circuit.

(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 for the year ended 31 December 2015. The directors 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) the Group 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 commercial settlement agreement to dismiss the case.

37 CONTINGENT LIABILITIES (CONTINUED)

(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.

In April 2016, the parties reached a commercial settlement to dismiss the case.

(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.

In October 2016, the parties reached a settlement to dismiss the case.

38 COMMITMENTS

(a) Capital commitments

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

	2016 **US$'000**	2015 US$'000
Property, plant and equipment, intangible assets and other non-current assets	**153,477**	43,163

(b) Operating lease commitments — Group as lessee

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

	2016 **US$'000**	2015 US$'000
Not later than one year	**13,099**	15,600
Later than one year and no later than five years	**18,842**	26,748
Later than five years	**11,288**	13,486
	43,229	55,834

38 COMMITMENTS (CONTINUED)

(c) Operating lease commitments — Group as lessor

The Group leases various offices and warehouses under non-cancellable operating lease arrangements. The lease terms are between 1 and 20 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:

	2016	2015
	US$'000	US$'000
No later than one year	**14,702**	7,546
Later than one year and no later than five years	**41,275**	13,451
Later than five years	**90,511**	13,818
	146,488	34,815

39 RELATED PARTY TRANSACTIONS

As at 31st December 2016, 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.

39 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 substantial shareholders, CEC, Mitsui and Innolux during the years ended 31st December 2016 and 2015.

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:

	2016 **US$'000**	2015 US$'000
Sales of goods to associates	**449,022**	357,806
Sales of goods and services to CEC and its subsidiaries	**733**	7,969
Purchases of goods and services from associates	**(200,260)**	(188,495)
Purchases of goods and services from CEC and its subsidiaries	**(56,107)**	(168,426)
Purchases of goods from Innolux and its subsidiaries	**(272,140)**	(631,455)
Rental income from associates	**2,095**	2,162
Royalty paid to CEC and its subsidiaries	**(215)**	(275)
Reimbursement of warranty cost from an associate	**3,315**	3,609
Rental expense to CEC and its subsidiaries	**(383)**	(588)
Interest income from CEC and its subsidiaries	**—**	71
Interest expense to CEC and its subsidiaries	**—**	(359)
Fixed assets transfer to CEC and its subsidiaries	**—**	3,532

The above information only presents the transactions with these companies for the period when they are categorized as related parties.

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$165,652,000 (2015: US$323,578,000) were transferred to Chi Lin for further processing and finished goods amounted to US$257,244,000 (2015: US$416,352,000) were purchased back from Chi Lin.

(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:

	2016 **US$'000**	2015 US$'000
Salaries and other short-term employee benefits	**5,230**	4,139
Share-based payments	**—**	4
	5,230	4,143

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balances

	2016 US$'000	2015 US$'000
Receivables from associates (Note i)	**82,148**	86,888
Receivables from substantial shareholders and their subsidiaries (Note i)		
— CEC and its subsidiaries	**1**	143
Payables to associates (Note ii)	**69,914**	78,475
Payables to substantial shareholders and their subsidiaries (Note ii)		
— CEC and its subsidiaries	**18,385**	26,082
— Innolux and its subsidiaries	**38,070**	50,723
	56,455	76,805

Notes:

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

(ii) Payables to associates and substantial shareholders were presented in the consolidated balance sheet within 'trade payables' and 'other payables and accruals'(Note 32). The payables bear no interest with repayment date due within one year.

40 EVENTS AFTER THE BALANCE SHEET DATE

Extension of the TV Trademark License Agreement

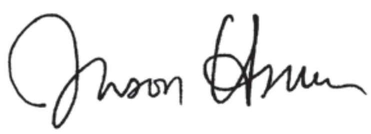
TP Vision Holding B.V. ("TP Vision B.V."), a wholly-owned subsidiary of the Group, and Koninklijke Philips N.V. ("Philips") entered into an agreement to amend the terms of the Trademark License Agreement dated 1st November 2011. This agreement is effective from 1st January 2017. The extension of the Trademark License Agreement grants TP Vision B.V. and its affiliates the right to use Philips' Trademark in relation to the manufacture and sale of TVs in the territory defined in the Trademark License Agreement for a further four-year period, through royalty payment on an annual basis. The directors of the Company expect to recognise intangible assets and license fee payable in the year ended 31st December 2017.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

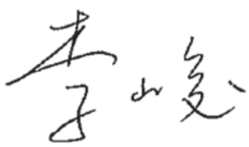
Balance sheet of the Company

	Note	As at 31st December 2016 US$'000	2015 US$'000
Assets			
Non-current asset			
Investment in a subsidiary		**59,066**	59,066
Amounts due from subsidiaries		**859,261**	859,261
		918,327	918,327
Current assets			
Amount due from a subsidiary		**3,192**	4,080
Cash and cash equivalents		**197**	268
		3,389	4,348
Total assets		**921,716**	922,675
Equity			
Equity attributable to owners of the Company			
Share capital		**23,456**	23,456
Other reserves	(a)	**895,106**	896,322
		918,562	919,778
Liability			
Current liability			
Other payables and accruals		**3,154**	2,897
Total equity and liabilities		**921,716**	922,675

The balance sheet of the Company was approved by the Board of Directors on 16th March 2017 and was signed on its behalf.



Dr Hsuan, Jason
Director



Dr Li Jun
Director

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Share premium	Share redemption reserve	Employee share-based compensation reserve	Contributed surplus (Note)	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2016	**759,464**	**12**	**19,951**	**11,433**	**105,462**	**896,322**
Profit for the year	**—**	**—**	**—**	**—**	**1,786**	**1,786**
2015 final dividends paid	**—**	**—**	**—**	**—**	**(3,002)**	**(3,002)**
At 31st December 2016	**759,464**	**12**	**19,951**	**11,433**	**104,246**	**895,106**
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

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.

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors for the year ended 31st December 2016 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 US$'000**	**Salary US$'000**	**Discretionary bonuses US$'000**	**Allowance and benefit kinds (Note v) US$'000**	**Employer's contribution to a retirement benefit scheme US$'000**	**Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking US$'000**	**Total US$'000**
Dr Hsuan, Jason (Note i)	**–**	**318**	**461**	**–**	**–**	**–**	**779**
Mr Liu Liehong	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Ms Wu Qun (Note iv)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dr Li Jun	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Ms Bi Xianghui	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Mr Hideki Noda (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 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 US$'000	Salary US$'000	Discretionary bonuses US$'000	Allowance and benefit kinds (Note v) US$'000	Employer's contribution to a retirement benefit scheme US$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking US$'000	Total US$'000
Dr Hsuan, Jason (Note i)	–	313	197	–	–	–	510
Mr Liu Liehong	–	–	–	–	–	–	–
Ms Wu Qun (Note iv)	–	–	–	–	–	–	–
Mr Du Heping (Note ii)	–	–	–	–	–	–	–
Dr Li Jun	–	–	–	–	–	–	–
Ms Bi Xianghui	–	–	–	–	–	–	–
Mr Hideki Noda (Note iii)	–	–	–	–	–	–	–
Mr Chan Boon Teong	116	–	–	–	–	–	116
Dr Ku Chia-Tai	77	–	–	–	–	–	77
Mr Wong Chi Keung	77	–	–	–	–	–	77

42 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 director of the Company during the year ended 31st December 2015.

(iii) Mr Hideki Noda resigned as director of the Company during the year ended 31st December 2016.

(iv) Ms Wu Qun resigned as director of the Company on 16th March 2017.

(v) Other benefits represents share-based payment.

During the year, no director waived any emoluments.

(b) Directors' retirement benefits

None of the directors retired during the years ended 31st December 2016 and 2015 received or will receive any retirement benefits.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2016 and 2015.

(d) Consideration provided to third parties for making available directors' services

During the years ended 31st December 2016 and 2015, 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 2016 and 2015, 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 2016 and 2015 or at any time during the years ended 31st December 2016 and 2015.

Five-Year Financial Summary

	2016	2015	2014	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Profit/(loss) attributable to owners of the Company	**38,523**	(31,337)	(5,460)	(47,246)	112,408
Assets and liabilities					
Total assets	**5,787,819**	5,931,579	6,453,138	6,258,694	6,448,500
Total liabilities	**(4,106,972)**	(4,301,472)	(4,788,745)	(4,560,664)	(4,551,376)
Net assets	**1,680,847**	1,630,107	1,664,393	1,698,030	1,897,124