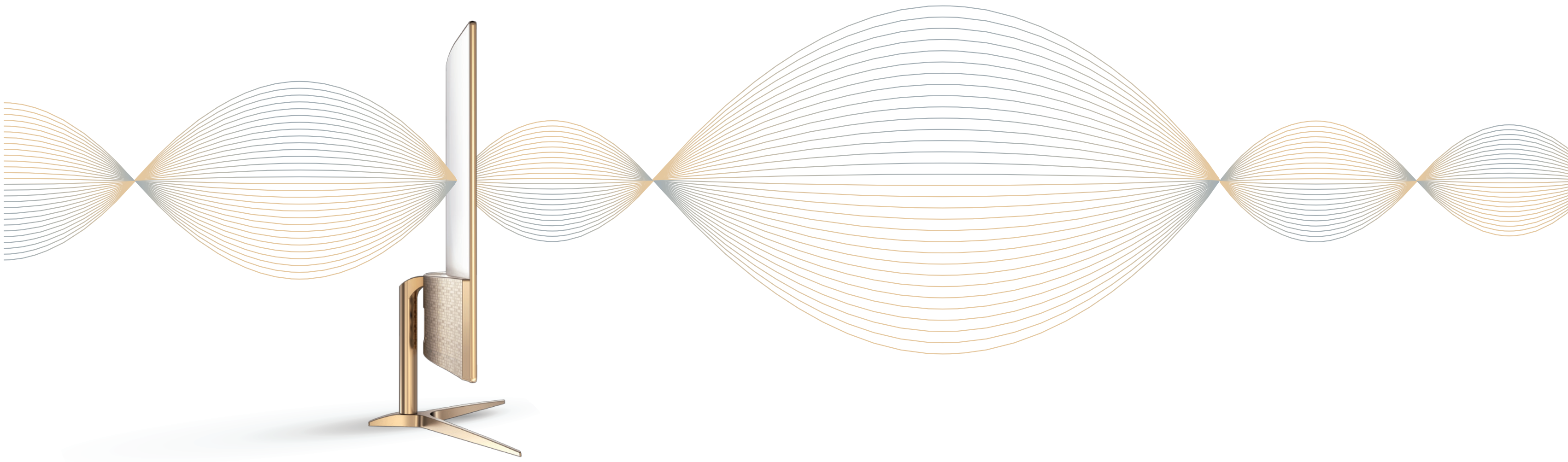
Interim Report 2017

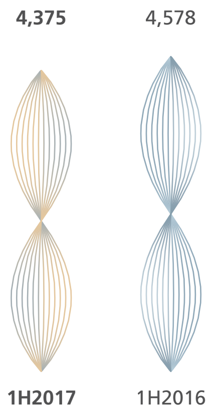


TPV TECHNOLOGY LIMITED 冠捷科技有限公司 (Incorporated in Bermuda with limited liability)

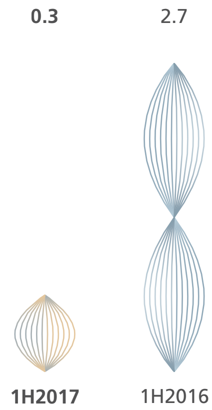
Contents

Financial Highlights

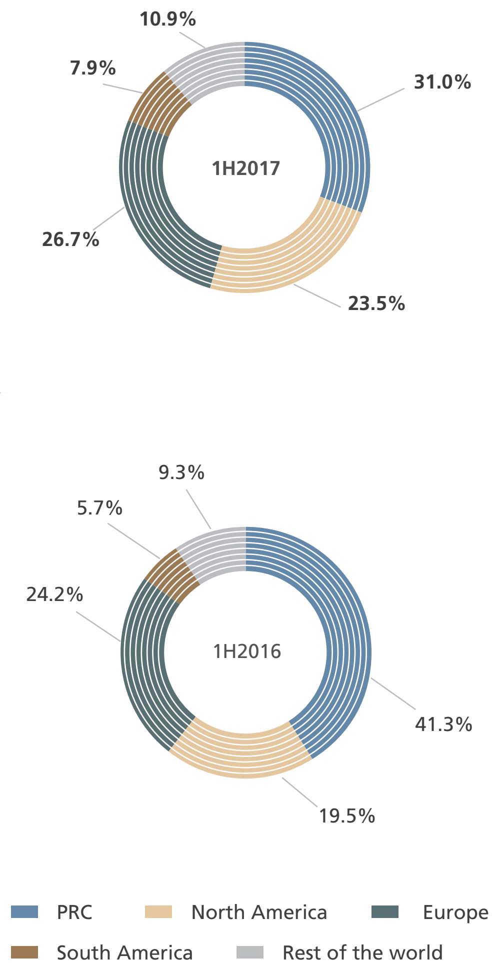
Revenue
(US$ Million)



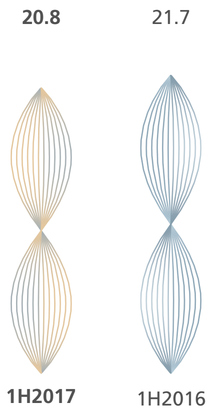
Profit Attributable to Equity Holders
(US$ Million)



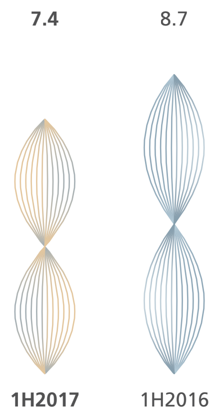
Geographical Contribution
(%)



Monitors
(Million Units)



LCD TVs
(Million Units)



Business Review

TPV's operating performance in the first half of 2017 was adversely affected by an overall slowdown in demand for TVs, particularly in China, as well as shrinking demand for monitors. This was aggravated by heavy competition and aggressive stock clearance of small-size TVs in response to a rapid shift in consumer preference for 50-inch-and-above displays. In addition, panel prices, which have seen their longest up-cycle since last Spring, continued to erode TPV's gross profit ("GP") margin and dampened profitability. As a result, the Group recorded a consolidated revenue of US$4.37 billion (1H2016: 4.58 billion) for the six months ended 30th June 2017, which represents a year-on-year decline of 4.5 percent and a GP margin of 7.8 percent (1H2016: 9.5 percent). Furthermore, the Group made a provision of US$12 million for certain long-overdue receivables, of which recoverability is doubtful, during the half year impairment assessment. Despite these adversities, the Group managed to deliver a breakeven result in a very tough first half (1H2016: profit of US$3 million).

TVs

Worldwide TV shipments for the first half of 2017 stood at 93 million sets (1H2016: 96.4 million sets). Demand in China, the Group's biggest market, fell by 7.3 percent year on year to 22 million units. The Group's shipments, which had been helped by the fast growing demand from OTT ("over-the-top content") providers in China in the last couple of years, dropped 14.7 percent to 7.4 million sets, as the industry faced financial sustainability challenges which affected a number of the Group's customers. While some of these OTT customers are redefining their business strategies, management remains confident about the long-term future of the OTT streaming industry and believes the recent setback will drive customers into building more sustainable business models. Shipments of OBM TVs to China were also reduced due to market weakness and intense competition, resulting in a year-on-year decline of approximately 15 percent.

Slow market demand was unfavourable to pricing. A mild increase in average selling price ("ASP") to US$250.20 (1H2016: US$241.10) for the business segment was unable to absorb the significant rise in panel cost during the period. The segment's revenue, therefore, dropped by 11.5 percent from US$2.09 billion in 2016 to US$1.85 billion in 2017. High material costs, stiff competition and stock clearance activities all put pressure on GP margin which declined to 7.1 percent (1H2016: 9.6 percent). Consequently, the business segment recorded an adjusted operating loss of US$72.1 million for the period under review, compared with a loss of US$61.4 million last year.

Monitors

In the first half of 2017, worldwide monitor demand dropped by 3.5 percent to 58.4 million units (1H2016: 60.1 million units) in total. The Group's monitor shipments during the same period declined by 4.2 percent from a year ago to 20.8 million units (1H2016: 21.7 million units), the result of reduced demand in the Group's biggest market, China. Nevertheless, the segment's revenue increased slightly from US$2.24 billion last year to US$2.32 billion this year, which was the result of a higher ASP — US$111.90 (1H2016: US$103.3) and an increase in volume of signage products. As a consequence of higher panel costs, the segment's GP margin decreased from 9.5 percent in the same period last year, to 8.2 percent this year. Notwithstanding this decline, adjusted operating profit remained stable at US$84.2 million (1H2016: US$81.2 million) due to tighter operating cost control measures.

Geographically, revenue from China dropped 28.4 percent compared with the previous year because of disappointing market demand and keen competition, and contributed to 31 percent (1H2016: 41.3 percent) of the Group's total turnover. Europe and North America accounted for 26.7 percent (1H2016: 24.2 percent) and 23.5 percent (1H2016: 19.5 percent) respectively. Sales from South America increased by 32.2 percent year on year thanks to favourable market conditions and contributed 7.9 percent (1H2016: 5.7 percent) of consolidated revenue. The Rest of the World made up the remaining portion and represented 10.9 percent (1H2016: 9.3 percent) of the total.

OUTLOOK

In the coming months, a number of positive developments will help improve the Group's performance. Firstly, the weakening of the US dollar will reduce the cost price of products sold in overseas markets. Additionally, the current supply demand imbalance is narrowing, leading to an overall softening of panel prices. This has the further advantage of reducing the competitive edge of set makers who have in-house LCD panel supplies.

On a geographical level, the gradual, but steady, improvement in Europe's economic climate, as well as the stabilisation of China's slowing economy, will boost consumer confidence and subsequent demand for TPV's products. In line with this, the Group will bolster sales of commercial and 50-inch-and-above displays.

Furthermore, streamlined operations and a vastly improved cost structure are already enabling the Group to compete sustainably in what is currently a difficult operating environment. Inventory management is the key to good performance in the second half. The Group has set very strict targets to optimise its on-hand inventory and improve cash flow. Barring any unforeseen circumstances, management remains confident of delivering a stronger performance in the second half of 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June 2017, the Group has cash and bank balances (including pledged bank deposit) of US$461.9 million (31st December 2016: US$630 million). Credit facilities granted by banks totalled US$4.02 billion (31st December 2016: US$4.10 billion), of which US$2.24 billion was utilized (31st December 2016: US$1.96 billion).

All the Group's debts are borrowed on a floating-rate basis. The maturity profile of the Group's debt as at 30th June 2017 was as follows:

	As at 30th June 2017 (US$'000)	As at 31st December 2016 (US$'000)
Within one year	**184,796**	163,695
Between one and two years	**78,500**	292,462
Between two and five years	**212,956**	79,081
Total	**476,252**	535,238

The Group's gearing ratio, represented by the ratio of total borrowings and payables under discounting arrangement to total assets, as at 30th June 2017 was 18.0 percent (31st December 2016: 14.5 percent), whereas the current ratio stayed healthy at 118.6 percent (31st December 2016: 120.9 percent).

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Financial risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board of Directors ("BOD"). Group Treasury works closely with the Group's operating units to identify, evaluate and mitigate financial risks. The Group has written principles approved by the BOD for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and cash management.

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Euro, Brazilian real, Russian ruble and Argentine peso. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment 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. The Group has a standing foreign exchange risk management policy and uses forward contracts and various derivative instruments to mitigate the associated risks.

WORKFORCE

As at 30th June 2017, the Group had a total workforce of 30,932 (31st December 2016: 30,129) worldwide. Our employees were remunerated in accordance with industry practice in the locations where they worked. We maintain the belief that employees are the Group's most valuable assets. Acting on this belief, we made available a variety of training opportunities that encompassed technical, functional and soft skills. As a rule, we encourage employees to study and grow with the Group. We recognize that only when our people are given adequate room to flourish will the Group likewise perform at its best.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2017, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO including interests and short positions in which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") were as follows:

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

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

Notes:

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

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

Save as disclosed above and in the paragraph headed "Share Option", as at 30th June 2017, none of the directors and chief executive of the Company had or was deemed to have any interest or short position in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30th June 2017 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 30th June 2017, the Group is controlled by China Electronics Corporation ("CEC"), which owns 37.05% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2017, 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)	Percentage of shareholding
CEC	869,088,647 (Notes 1, 2)	37.05%
China National Electronics Imp. & Exp. Corporation	251,958,647 (Notes 1, 2)	10.74%
CEIEC (H.K.) Limited ("CEIEC HK")	251,958,647 (Notes 1, 2)	10.74%
Mitsui & Co., Ltd. ("Mitsui")	426,802,590 (Note 2)	18.20%
Long Nice Corporation Limited ("Long Nice")	403,802,590 (Note 3)	17.22%
Shanghai Putao Corporate Management Advisory Partnership ("Shanghai Putao")	403,802,590 (Note 3)	17.22%
Zhuhai Kedi Equity Investment Management Co. Ltd. ("Zhuhai Kedi")	403,802,590 (Note 3)	17.22%
Zhuhai Puluo Capital Management Co. Ltd. ("Zhuhai Puluo")	403,802,590 (Note 3)	17.22%
Shanghai Providence Equity Investment Management Partnership ("Shanghai Providence")	403,802,590 (Note 3)	17.22%
Xu Chenhao[1]	403,802,590 (Note 3)	17.22%
Innolux Corporation ("Innolux")	150,500,000 (Note 4)	6.42%
Chimei Corporation ("CMC")	150,500,000 (Note 4)	6.42%
FMR LLC	122,000,000	5.20%

[1] English translation is for identification purpose only.

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 Long Nice. Long Nice is wholly-owned by Shanghai Putao. Shanghai Putao is wholly-owned by Zhuhai Kedi which is wholly-owned by Zhuhai Puluo. Zhuhai Puluo is owned as to 99.5% by Shanghai Providence while Shanghai Providence is owned as to 98.5% by Xu Chenhao.

(4) These Shares are held by Innolux. Innolux is owned as to 5.74% by CMC.

SHARE OPTION

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

Particulars of outstanding options under the Option Scheme at the beginning and at the end of the financial period for the six months ended 30th June 2017 and options exercised and lapsed during the period were as follows:

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1st January 2017	Exercised	Lapsed	As at 30th June 2017
Director							
Dr Hsuan, Jason	18/01/2011	5.008 (Note 1)	18/01/2012–17/01/2021	150,000	—	—	150,000
			18/01/2013–17/01/2021	150,000	—	—	150,000
			18/01/2014–17/01/2021	150,000	—	—	150,000
			18/01/2015–17/01/2021	150,000	—	—	150,000
Employees	18/01/2011	5.008 (Note 1)	18/01/2012–17/01/2021	5,267,500	—	(50,000)	5,217,500
			18/01/2013–17/01/2021	5,267,500	—	(50,000)	5,217,500
			18/01/2014–17/01/2021	5,267,500	—	(50,000)	5,217,500
			18/01/2015–17/01/2021	5,267,500	—	(50,000)	5,217,500
				21,670,000	—	(200,000)	21,470,000

Note:

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

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.

On 17th March 2017, 45,000,000 share options were granted to certain employees of the Group (including Mr Michael Hsuan, the son of Dr Hsuan, Jason, Chairman and Chief Executive Officer of the Company) with an exercisable period from 17th March 2018 to 1st November 2025. There are three vesting periods for these share options (Note 2). The closing market price per share at the date immediately before the date on which the share options were granted was HK$1.56. The estimated fair value of these share options was approximately HK$33,060,000 as at the date of grant, based on the Binomial Option pricing model. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option. The significant inputs into the model are as follows:

	Options granted to certain employees
Date of grant (Measurement Date)	17th March 2017
Exercise price	HK$1.77 per share
Closing price on the date of grant	HK$1.77 per Share
Expected life	From 17th March 2017 and expiring on 1st November 2025 (both days inclusive)
Expected volatility	49.60%
Expected dividend yield	1.73%
Risk-free interest rate	1.78%

The expected volatility is the historical volatility of the Company over the most recent period commensurate with the expected life of the share options.

The accounting policy adopted for the share options is consistent with those of the annual financial statements for the year ended 31st December 2016. After vesting, when the share options are forfeited before expiry or expire, the amount previously recognized in "employee share-based compensation reserve" will be transferred to "retained profits".

Particulars of outstanding options under the New Option Scheme at the beginning and at the end of the financial period for the six months ended 30th June 2017 and options exercised and lapsed during the period were as follows:

	Date of grant	Exercise Price HK$	Exercisable Period	Number of options As at 1st January 2017	Granted	Exercised	Lapsed	As at 30th June 2017
Employees	17/03/2017	1.77 (Note 2)	17/03/2018–01/11/2025	—	9,000,000	—	—	9,000,000
			17/03/2019–01/11/2025	—	13,500,000	—	—	13,500,000
			17/03/2020–01/11/2025	—	22,500,000	—	—	22,500,000
				—	45,000,000	—	—	45,000,000

Note:

(2) These options are exercisable at HK$1.77 (US$0.23) per share in three tranches: the maximum percentage of share options exercisable within the periods commencing from 17th March 2018 to 1st November 2025, from 17th March 2019 to 1st November 2025 and from 17th March 2020 to 1st November 2025 are 20 percent, 50 percent and 100 percent respectively.

CONTINGENT LIABILITIES

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

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30th June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE CODE

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

During the six months period ended 30th June 2017, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for deviations from code provisions A.2.1 and A.4.1 of the CG Code, the reasons for which are explained below.

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

Chairman and Chief Executive Officer

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

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

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

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

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

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

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

Re-election of Directors

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiries have been made with all the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the six months ended 30th June 2017.

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

AUDIT COMMITTEE

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

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

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

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

NOMINATION COMMITTEE

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

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

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

REMUNERATION COMMITTEE

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

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

The Remuneration Committee is chaired by Mr Chan Boon Teong, an independent non-executive director who also serves as chairman of the Audit Committee. The other members include Dr Ku Chia-Tai and Mr Wong Chi Keung, both of whom are independent non-executive directors of the Company, Dr Hsuan, Jason, the chairman and chief executive officer of the Company and Ms Bi Xianghui, a non-executive director of the Company.

INVESTMENT COMMITTEE

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

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

The Investment Committee is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company. The other members include Dr Li Jun, Ms Jia Haiying (appointed on 16th March 2017) and Ms Bi Xianghui, all of whom are non-executive directors of the Company and Mr Chan Boon Teong, an independent non-executive director of the Company.

INFORMATION DISCLOSURE COMMITTEE

The Company has established the Information Disclosure Committee with specific written terms of reference.

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

The Information Disclosure Committee is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company. The other members include Dr Li Jun and Ms Bi Xianghui, both of them are non-executive directors of the Company, Mr Chan Boon Teong, an independent non-executive director of the Company (Mr Wong Chi Keung is an alternate member of Mr Chan Boon Teong) and Mr Shane Tyau, the senior vice president and chief financial officer of the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2016 Annual Report of the Company are set out below:

Mr Yang Jun and Mr Zhu Lifeng were appointed as non-executive directors with effect from 22nd May 2017 and 30th June 2017 respectively.

Mr Liu Liehong resigned as a non-executive director with effect from 22nd May 2017.

Details of the above changes are set out in the announcement of the Company dated 22nd May 2017 and 30th June 2017.

Dr Li Jun was appointed as a non-executive director of China Greatwall Technology Group Co., Ltd. (a company listed on Shenzhen Stock Exchange) with effect from 14th December 2016.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2017 have been reviewed by the Group's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the interim results for the six months ended 30th June 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June 2017 (six months ended 30th June 2016: Nil).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

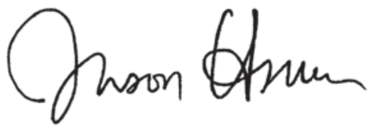
The management personnel responsible for investor relations hold regular meetings with the media, equity research analysts, fund managers and investors. The Company also holds presentations, road shows and conference calls for the international investment community from time to time.

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

BOARD COMPOSITION

As at the date of this report, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Yang Jun, Mr Zhu Lifeng, Dr Li Jun, Ms Jia Haiying and Ms Bi Xianghui and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.

On behalf of the Board



Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 17th August 2017

Condensed Consolidated Interim Income Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Note	Unaudited Six months ended 30th June **2017** **US$'000**	 2016 US$'000
Revenue	6	**4,374,590**	4,578,209
Cost of sales		**(4,032,465)**	(4,141,422)
Gross profit		**342,125**	436,787
Other income		**36,389**	33,887
Other gains/(losses) — net		**9,144**	(32,740)
Selling and distribution expenses		**(180,823)**	(183,095)
Administrative expenses		**(90,466)**	(110,805)
Research and development expenses		**(87,243)**	(106,183)
Operating profit	6 & 7	**29,126**	37,851
Finance income		**2,645**	4,688
Finance costs		**(17,649)**	(20,149)
Finance costs — net	8	**(15,004)**	(15,461)
Share of (losses)/profits of:			
Associates		**(419)**	3,082
Joint venture		**—**	(2)
Profit before income tax		**13,703**	25,470
Income tax expense	9	**(13,274)**	(19,923)
Profit for the period		**429**	5,547

Condensed Consolidated Interim Income Statement *(Continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Note	**Unaudited Six months ended 30th June 2017 US$'000**	2016 US$'000
Profit attributable to:			
Owners of the Company		**254**	2,692
Non-controlling interests		**175**	2,855
		429	5,547
Profit per share attributable to owners of the Company			
— Basic and diluted	10	**US0.01 cent**	US0.11 cent

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

Condensed Consolidated Interim Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited Six months ended 30th June	
	2017	2016
	US$'000	US$'000
Profit for the period	**429**	5,547
Other comprehensive (loss)/income, net of tax		
Items that may be reclassified to profit or loss		
Fair value gains on available-for-sale financial assets	**878**	70
Currency translation differences	**(30,535)**	132
Release of exchange reserve to profit or loss upon disposal/closure of:		
— A subsidiary	**—**	623
— An associate and a joint venture	**98**	—
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of pension obligation, net of tax	**—**	(551)
Other comprehensive (loss)/income for the period, net of tax	**(29,559)**	274
Total comprehensive (loss)/income for the period	**(29,130)**	5,821
Total comprehensive (loss)/profit attributable to:		
— Owners of the Company	**(29,304)**	2,927
— Non-controlling interests	**174**	2,894
	(29,130)	5,821

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

Condensed Consolidated Interim Balance Sheet

AS AT 30TH JUNE 2017

	Note	**Unaudited 30th June 2017 US$'000**	Audited 31st December 2016 US$'000
Assets			
Non-current assets			
Intangible assets	12	**597,745**	459,139
Property, plant and equipment	12	**497,227**	514,260
Land use rights	12	**18,600**	18,627
Investment properties	12	**205,788**	203,483
Investments in associates		**48,207**	52,774
Investment in a joint venture		**—**	1,347
Derivative financial instruments		**5,533**	67,227
Available-for-sale financial assets		**5,580**	4,746
Financial assets at fair value through profit or loss	13	**20,682**	20,144
Deferred income tax assets		**67,230**	61,081
Prepayments and other receivables	14	**21,618**	23,503
Long-term bank deposits		**10,000**	27,914
		1,498,210	1,454,245
Current assets			
Inventories		**1,635,543**	1,384,470
Trade receivables	14	**1,694,899**	1,844,112
Deposits, prepayments and other receivables	14	**264,575**	249,802
Financial assets at fair value through profit or loss	13	**4,298**	10,557
Current income tax recoverable		**10,142**	9,982
Derivative financial instruments		**58,808**	204,641
Pledged bank deposits		**1,477**	3,435
Short-term bank deposits		**61,653**	25,295
Cash and cash equivalents		**398,813**	601,280
		4,130,208	4,333,574
Total assets		**5,628,418**	5,787,819

Condensed Consolidated Interim Balance Sheet *(Continued)*

AS AT 30TH JUNE 2017

	Note	Unaudited 30th June 2017 US$'000	Audited 31st December 2016 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital	15	**23,456**	23,456
Other reserves		**1,605,421**	1,645,599
		1,628,877	1,669,055
Non-controlling interests		**11,966**	11,792
Total equity		**1,640,843**	1,680,847
Liabilities			
Non-current liabilities			
Borrowings	16	**291,456**	371,543
Deferred income tax liabilities		**36,634**	39,508
Pension obligations		**12,822**	12,459
Other payables and accruals	17	**159,766**	41,228
Derivative financial instruments		**2,968**	55,565
Provisions	18	**1,696**	1,570
		505,342	521,873
Current liabilities			
Trade payables	17	**1,931,350**	2,164,232
Other payables and accruals	17	**1,099,314**	889,135
Current income tax liabilities		**13,299**	15,062
Provisions	18	**184,032**	188,795
Derivative financial instruments		**69,442**	164,180
Borrowings and loans	16	**184,796**	163,695
		3,482,233	3,585,099
Total liabilities		**3,987,575**	4,106,972
Total equity and liabilities		**5,628,418**	5,787,819

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

Condensed Consolidated Interim Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited													
	Attributable to owners of the Company													
	Share capital	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	Non-controlling interests	Total equity
	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
Balance as at 1st January 2017	23,456	759,464	75,646	12	19,951	(116,572)	107,322	45,441	671	41,387	(142,564)	854,841	11,792	1,680,847
Comprehensive income														
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	254	175	429
Other comprehensive income/(loss) for the period, net of tax														
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	—	878	—	—	—	—	878
Currency translation differences														
— Group	—	—	—	—	—	(31,853)	—	—	—	—	—	—	(1)	(31,854)
— Associates and a joint venture	—	—	—	—	—	1,319	—	—	—	—	—	—	—	1,319
— Release of exchange reserve to profit or loss upon disposal of an associate and a joint venture	—	—	—	—	—	98	—	—	—	—	—	—	—	98
Other comprehensive income/(loss) for the period, net of tax	—	—	—	—	—	(30,436)	—	—	878	—	—	—	(1)	(29,559)
Total comprehensive income/(loss) for the period ended 30th June 2017	—	—	—	—	—	(30,436)	—	—	878	—	—	254	174	(29,130)
Total transactions with owners, recognized directly in equity														
Employee share option scheme														
— Employee share-based compensation benefits	—	—	—	—	620	—	—	—	—	—	—	—	—	620
2016 final dividends paid	—	—	—	—	—	—	—	—	—	—	—	(11,494)	—	(11,494)
Total transactions with owners, recognized directly in equity	—	—	—	—	620	—	—	—	—	—	—	(11,494)	—	(10,874)
Balance as at 30th June 2017	23,456	759,464	75,646	12	20,571	(147,008)	107,322	45,441	1,549	41,387	(142,564)	843,601	11,966	1,640,843

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

Condensed Consolidated Interim Statement of Changes in Equity *(Continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited													
	Attributable to owners of the Company													
	Share capital	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	Non-controlling interests	Total equity
	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
Balance as at 1st January 2016	23,456	759,464	68,202	12	19,951	(127,936)	103,185	45,441	482	41,387	(142,564)	832,497	6,530	1,630,107
Comprehensive income														
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	2,692	2,855	5,547
Other comprehensive income/(loss) for the period, net of tax														
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	—	70	—	—	—	—	70
Remeasurement of pension obligation, net of tax	—	—	—	—	—	—	—	—	—	—	—	(551)	—	(551)
Currency translation differences														
— Group	—	—	—	—	—	1,237	—	—	—	—	—	—	39	1,276
— Associates and a joint venture	—	—	—	—	—	(1,144)	—	—	—	—	—	—	—	(1,144)
Release of exchange reserve to profit or loss upon closure of a subsidiary	—	—	—	—	—	623	—	—	—	—	—	—	—	623
Other comprehensive income/(loss) for the period, net of tax	—	—	—	—	—	716	—	—	70	—	—	(551)	39	274
Total comprehensive income/(loss) for the period ended 30th June 2016	—	—	—	—	—	716	—	—	70	—	—	2,141	2,894	5,821
Total 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 30th June 2016	23,456	759,464	68,202	12	19,951	(127,220)	103,185	45,441	552	41,387	(142,564)	831,636	9,424	1,632,926

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

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

Notes:

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

(b) The merger difference of the Group was created as a result of: (a) the acquisition of entities under common control 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 the remaining 30% equity interest in TP Vision Holding B.V. and its subsidiaries (collectively "TP Vision Group"), representing any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid.

Condensed Consolidated Interim Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

	Unaudited Six months ended 30th June **2017** **US$'000**	 2016 US$'000
Cash flows from operating activities		
Net cash (used in)/generated from operations	**(280,109)**	283,349
Interest paid	**(16,151)**	(15,014)
Income tax paid	**(22,128)**	(31,152)
Net cash (used in)/generated from operating activities	**(318,388)**	237,183
Cash flows from investing activities		
Proceeds from disposals of property, plant and equipment and land use rights	**362**	2,487
Purchase of property, plant and equipment and investment property	**(55,699)**	(53,687)
Purchase of intangible assets	**(344)**	(10,024)
Proceeds from disposal of an associate and a joint venture	**5,363**	—
Proceeds from disposal of financial assets at fair value through profit or loss	**26,087**	64,375
Purchase of financial assets at fair value through profit or loss	**(17,628)**	(39,031)
Purchase of available-for-sale financial assets	**—**	(486)
Changes in short-term bank deposits	**(14,262)**	(12,556)
Interest received	**4,017**	4,977
Net cash used in investing activities	**(52,104)**	(43,945)
Cash flows from financing activities		
Repayment of long-term borrowings and loans	**(127,803)**	(21,650)
Net inception/(repayment) of short-term borrowings and loans	**67,434**	(2,847)
Net proceeds/(payment) of payables under discounting arrangements	**235,007**	(209,612)
Dividends paid to owners	**(11,494)**	(3,002)
Net cash generated from/(used in) from financing activities	**163,144**	(237,111)
Net decrease in cash and cash equivalents	**(207,348)**	(43,873)
Cash and cash equivalents at beginning of the period	**601,280**	417,312
Exchange differences on cash and cash equivalents	**4,881**	(304)
Cash and cash equivalents at end of the period	**398,813**	373,135

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

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") design, manufacture and sell computer monitors, 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.

This condensed consolidated interim financial information is presented in US dollars, unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31st December 2016 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1st January 2017 and currently relevant to the Group:

- Amendments to HKAS 12, "Income taxes"
- Amendments to HKAS 7, "Statement of cash flows"
- Amendments to HKFRS 12, "Disclosure of interest in other entities"

The Group has adopted these amendments and the adoption of these amendments did not have significant impacts on the Group's financial position and results as of and for the six months ended 30th June 2017.

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

3 ACCOUNTING POLICIES (CONTINUED)

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1st January 2017 and have not been early adopted by the Group:

Amendment to HKFRS 1, "First time adoption of HKFRS"	1st January 2018
Amendments to HKFRS 2, "Classification and measurement of Share-based Payment Transactions"	1st January 2018
Amendments to HKFRS 4, Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1st January 2018
Amendment to HKAS 28, "Investments in associates and joint ventures"	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 9 ,"Financial Instruments"	1st January 2018
HKFRS 15, "Revenue from Contracts with Customers"	1st January 2018
HK (IFRIC) 22, "Foreign Currency Transactions and Advance Consideration"	1st January 2018
HKFRS 16, "Leases"	1st January 2019

Note: To be announced by HKICPA

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

3 ACCOUNTING POLICIES (CONTINUED)

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.

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 HKAS 39.

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.

3 ACCOUNTING POLICIES (CONTINUED)

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.

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 six months.

3 ACCOUNTING POLICIES (CONTINUED)

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$41,824,000 (31st December 2016: US$43,229,000) (Note 20). 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.

4 ESTIMATES

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31st December 2016.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2016.

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

5.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of banking facilities. The Group aims at maintaining sufficient 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 funds to meet operational needs while maintaining sufficient headroom on its undrawn committed banking facilities (Note 16) and complying with covenants (where applicable) on its banking facilities.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group holds cash and bank balances of US$398,813,000 (31st December 2016: US$601,280,000), short-term bank deposits of US$61,653,000 (31st December 2016: US$25,295,000), long-term bank deposits of US$10,000,000 (31st December 2016: US$27,914,000) and trade receivables of US$1,694,899,000 (31st December 2016: US$1,844,112,000) that are expected to generate cash inflows for managing liquidity risk. In addition, the Group holds listed equity securities for trading of US$4,298,000 (31st December 2016: US$10,557,000), which could be realized to provide a further source of cash if needed.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 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 as at 30th June 2017 and 31st December 2016. Refer to Note 12 for disclosures of the investment properties that are measured at fair value.

	As at 30th June 2017			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets	1,968	—	3,612	5,580
Financial assets at fair value through profit or loss	4,298	—	20,682	24,980
Derivatives financial instruments	—	64,341	—	64,341
	6,266	64,341	24,294	94,901
Liabilities				
Derivatives financial instruments	—	(72,410)	—	(72,410)
Other payable — contingent consideration payable	—	—	(5,603)	(5,603)
	—	(72,410)	(5,603)	(78,013)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

	As at 31st December 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
Derivatives financial instruments	—	271,868	—	271,868
	11,566	271,868	23,881	307,315
Liabilities				
Derivatives financial instruments	—	(219,745)	—	(219,745)
Other payable — contingent consideration payable	—	—	(2,889)	(2,889)
	—	(219,745)	(2,889)	(222,634)

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

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

There were no significant changes in valuation techniques during the period.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Valuation techniques used to derive Level 2 fair values

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

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

	Available-for-sale financial assets 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
Six months period 30th June 2017			
Opening balance	**3,737**	**20,144**	**(2,889)**
Gain/(loss) on remeasurement of fair value	**1**	**—**	**(2,323)**
Unwinding of interests (Note 8)	**—**	**—**	**(391)**
Exchange differences	**(126)**	**538**	**—**
Closing balance	**3,612**	**20,682**	**(5,603)**
Six months period 30th June 2016			
Opening balance	3,969	21,560	(2,504)
Additions	486	—	—
Loss on remeasurement of fair value	(1)	—	—
Unwinding of interests (Note 8)	—	—	(188)
Exchange differences	(521)	(474)	(1)
Closing balance	3,933	21,086	(2,693)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Notes:

(i) The majority of available-for-sale financial assets 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 flows.

(ii) The fair value measurement assumptions of financial assets at fair value through profit or loss was set out in Note 13.

(iii) The valuation of contingent consideration payable is primarily based on the projected revenue of Philips TV overseas business and the adjusted operating profits of the Group's TVs segment. The key assumptions adopted in the long term projections include -0.3% to 8% sales growth for the next five years, a perpetual growth not exceeding 3% beyond the fifth year and a discount rate of 15%. 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 increases with all other variables held constant, the contingent consideration will be increased.

5.6 Group's valuation processes

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

5.7 Fair values 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 and other payables and accruals (excluding contingent consideration payable) as at 30th June 2017 approximate their carrying amounts due to their short maturities.

The fair values of the long-term bank deposits, borrowings and loans (including bank overdraft, bank borrowings and loans) as at 30th June 2017 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("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, 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 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 condensed consolidated interim income statement and is categorized according to the final destination of shipment.

6 SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and operating profit/(loss) information regarding the Group's reportable segments for the six months ended 30th June 2017 and 2016 respectively.

	For the six months ended 30th June 2017			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue	2,324,384	1,846,606	203,600	4,374,590
Adjusted operating profit/(loss)	84,168	(72,150)	4,105	16,123
Depreciation of property, plant and equipment	(21,068)	(34,866)	(559)	(56,493)
Amortization of land use rights	—	—	(247)	(247)
Amortization of intangible assets	(3,601)	(22,975)	(1,704)	(28,280)
Provision for restructuring costs	—	(326)	—	(326)
Capital expenditure	(11,035)	(165,320)	(17,036)	(193,391)
Release of trademark license fee payable (Note)	—	12,566	—	12,566
Provision for impairment of trade receivables	—	(12,463)	—	(12,463)

Note:

The Group recognised the release of trademark license fee payable amounting to US$12,566,000 in income statement for the extinguishment of trademark license fee payable recognised.

6 SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30th June 2016			
	Monitors	TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	2,239,314	2,086,102	252,793	4,578,209
Adjusted operating profit/(loss)	81,183	(61,372)	5,396	25,207
Depreciation of property, plant and equipment	(21,273)	(41,211)	(126)	(62,610)
Amortization of land use rights	—	—	(254)	(254)
Amortization of intangible assets	(3,361)	(5,407)	(3,116)	(11,884)
Impairment loss on intangible assets	(231)	(695)	(3,375)	(4,301)
Impairment loss on property, plant and equipment	(414)	(621)	—	(1,035)
Provision for restructuring costs	(3,434)	(50,991)	(51)	(54,476)
Capital expenditure	(10,550)	(48,129)	(2,146)	(60,825)
Reversal of impairment of trade receivables	—	339	—	339

6 SEGMENT INFORMATION (CONTINUED)

The following tables present segment assets as at 30th June 2017 and 31st December 2016 respectively.

	As at 30th June 2017			
	Monitors	**TVs**	**Others**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Segment assets	**2,101,849**	**2,481,877**	**180,208**	**4,763,934**

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

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

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
Adjusted operating profit for reportable segments	**16,123**	25,207
Unallocated income	**22,839**	24,646
Unallocated expenses	**(9,836)**	(12,002)
Operating profit	**29,126**	37,851
Finance income	**2,645**	4,688
Finance costs	**(17,649)**	(20,149)
Share of (losses)/profits of associates	**(419)**	3,082
Share of losses of a joint venture	**—**	(2)
Profit before income tax	**13,703**	25,470

6 SEGMENT INFORMATION (CONTINUED)

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

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Segment assets	**4,763,934**	4,738,833
Investment properties	**205,788**	203,483
Investments in associates	**48,207**	52,774
Investment in a joint venture	**—**	1,347
Available-for-sale financial assets	**5,580**	4,746
Financial assets at fair value through profit or loss	**24,980**	30,701
Deferred income tax assets	**67,230**	61,081
Long-term bank deposits	**10,000**	27,914
Current income tax recoverable	**10,142**	9,982
Pledged bank deposits	**1,477**	3,435
Short-term bank deposits	**61,653**	25,295
Cash and cash equivalents	**398,813**	601,280
Other unallocated assets	**30,614**	26,948
Total assets	**5,628,418**	5,787,819

6 SEGMENT INFORMATION (CONTINUED)

The analysis of revenue by geographical area is as follows:

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
The People's Republic of China (The "PRC")	**1,356,164**	1,892,955
Europe	**1,170,247**	1,106,324
North America	**1,029,873**	894,820
South America	**343,516**	259,818
Rest of the world	**474,790**	424,292
	4,374,590	4,578,209

For the six months ended 30th June 2017, revenues of approximately US$349,924,000 (for the six months ended 30th June 2016: US$404,523,000) are derived from a single external customer. These revenues are attributable to the sales of TVs (for the six month ended 30th June 2016: TVs).

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

	As at 30th June 2017	As at 31st December 2016
	US$'000	US$'000
The PRC	**632,259**	650,812
Europe	**219,518**	88,175
North America	**11,682**	12,180
South America	**48,099**	48,257
Rest of the world	**456,009**	450,206
	1,367,567	1,249,630

7 OPERATING PROFIT

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

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
Realized and unrealized losses on derivative instruments — net	**(48,121)**	(68,907)
Net exchange gains	**43,706**	30,292
Gains/(losses) on disposal of property, plant and equipment	**181**	(536)
Loss on disposal of an associate and a joint venture — net	**(48)**	—
Gain/(loss) on disposal/closure of subsidiaries	**829**	(623)
Loss on remeasurement on contingent consideration payable	**(2,323)**	—
Release of trademark license fee payable	**12,566**	—
Losses on disposal of intangible assets	**—**	(7)
Gains on disposal of financial assets at fair value through profit or loss and available-for-sale financial assets	**1,992**	7,370
Fair value gains on financial assets at fair value through profit or loss	**518**	3,019
Employee benefit expenses (including directors' emoluments)	**(251,518)**	(238,313)
Operating lease rental for land, buildings and machinery	**(9,282)**	(10,635)
Amortization of intangible assets (Note 12)	**(28,280)**	(11,884)
Amortization of land use rights (Note 12)	**(247)**	(254)
Depreciation of property, plant and equipment (Note 12)	**(56,493)**	(62,610)
Impairment losses on intangible assets (Note 12)	**—**	(4,301)
Impairment losses on property, plant and equipment (Note 12)	**—**	(1,035)
(Provision for)/reversal of impairment of trade receivables	**(12,463)**	339
Provision for impairment of other receivables	**—**	(2,608)
Provision for/write off of value-added tax recoverable	**—**	(3,119)
Charge for warranty provision (Note 18)	**(69,520)**	(88,180)
Provision for restructuring and other provisions (Note 18)	**(767)**	(56,243)

8 FINANCE COSTS — NET

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
Interest expenses		
— Interest expense on bank borrowings and factoring arrangements	**(14,959)**	(14,046)
— Interest expense on loans	**(581)**	(968)
Unwinding of interests		
— Unwinding of interests on license fee payable	**(1,718)**	(4,947)
— Unwinding of interests on contingent consideration payable	**(391)**	(188)
Finance costs	**(17,649)**	(20,149)
Interest income on cash at bank and bank deposits	**2,645**	4,688
Finance costs — net	**(15,004)**	(15,461)

9 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits generated in Hong Kong for the six months ended 30th June 2017 and 2016.

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30th June 2017 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
Current income tax	**(20,254)**	(17,835)
Deferred income tax credit/(charge)	**6,980**	(2,088)
Income tax expense	**(13,274)**	(19,923)

10 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30th June	
	2017	2016
Profit attributable to owners of the Company (US$'000)	**254**	2,692
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,636
Basic earnings per share (US cent per share)	**0.01**	0.11

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Its calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30th June 2017 and 2016 equal basic profit per share as the exercise of the outstanding share options would be anti-dilutive.

11 DIVIDENDS

The board of directors does not recommend the payment of interim dividend for the six months ended 30th June 2017 (six months ended 30th June 2016: Nil).

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

	Intangible assets US$'000	Property, plant and equipment US$'000	Land use rights US$'000	Investment properties US$'000
Six months ended 30th June 2017				
Opening net book amount at 1st January 2017	**459,139**	**514,260**	**18,627**	**203,483**
Exchange differences	**9,734**	**3,402**	**220**	**2,305**
Additions	**157,152**	**36,239**	**—**	**—**
Disposals	**—**	**(181)**	**—**	**—**
Amortization/depreciation (Note 7)	**(28,280)**	**(56,493)**	**(247)**	**—**
Closing net book amount at 30th June 2017	**597,745**	**497,227**	**18,600**	**205,788**
Six months ended 30th June 2016				
Opening net book amount at 1st January 2016	448,849	554,257	19,718	198,241
Exchange differences	355	6,877	(198)	(2,598)
Additions	35,282	25,543	—	—
Disposals	(7)	(3,023)	—	—
Impairment (Note 7)	(4,301)	(1,035)	—	—
Amortization/depreciation (Note 7)	(11,884)	(62,610)	(254)	—
Reclassification	224	(224)	—	—
Closing net book amount at 30th June 2016	468,518	519,785	19,266	195,643

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

Fair values using significant unobservable inputs (Level 3)

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Recurring fair value measurements		
Investment properties:		
— Industrial buildings — the PRC	**110,417**	110,417
— Industrial building — Poland	**7,536**	7,536
— Office and commercial building — the PRC	**87,835**	85,530
	205,788	203,483

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

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Current		
Listed securities, at market value:		
— Equity securities — Argentina	**4,298**	10,557
Non-current		
Unlisted securities		
— Equity securities — The PRC (Note)	**20,682**	20,144
	24,980	30,701

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 China Electronics Corporations ("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$2,585,239,000). TVI owns 0.8% equity interests and contributes RMB140,000,000 (approximately US$20,682,000) 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$20,682,000 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.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note: (Continued)

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.

14 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Non-current		
Prepayments and other receivables	**21,618**	23,503
Current		
Trade receivables	**1,729,599**	1,866,570
Less: provision for impairment of trade receivables	**(34,700)**	(22,458)
Trade receivables, net	**1,694,899**	1,844,112
Deposits	**6,414**	6,334
Prepayments	**43,733**	38,764
Other receivables		
— Value-added tax recoverable	**140,703**	136,440
— Others	**73,725**	68,264
	264,575	249,802
Total	**1,981,092**	2,117,417

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

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

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

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
0–30 days	**507,895**	925,252
31–60 days	**634,361**	609,731
61–90 days	**370,753**	227,833
91–120 days	**76,709**	36,719
Over 120 days	**139,881**	67,035
	1,729,599	1,866,570

Included in the trade receivables were an amount of US$21,832,000 (31st December 2016: US$21,415,000) overdue from 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.

No significant defaults in the past was noted for existing customers with trade receivables that are neither past due nor impaired as at 30th June 2017.

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

As at 30th June 2017, gross trade receivables of US$107,813,000 (31st December 2016: US$79,314,000) were past due but not impaired. The ageing analysis of these past due trade receivables is as follows:

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
1–90 days	**70,022**	57,546
91–120 days	**12,598**	5,582
Over 120 days	**25,193**	16,186
	107,813	79,314

As at 30th June 2017, gross trade receivables of US$64,326,000 (31st December 2016: US$31,394,000) were impaired. The amount of the provision was US$34,700,000 as at 30th June 2017 (31st December 2016: 22,458,000). The individually impaired receivables mainly relate to trade receivables due from a number of customers, which are overdue and not settled according to the agreed settlement plan. During the six months ended 30th June 2017, the Group recognized provision for impairment charge of US$12,463,000 with reference to the shortfall against agreed settlement plan. The directors expect the un-impaired portion of these receivables to be recoverable.

15 SHARE CAPITAL

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Authorized:		
4,000,000,000 (2016: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2016: 2,345,636,139) ordinary shares of US$0.01 each	**23,456**	23,456

15 SHARE CAPITAL (CONTINUED)

On 17th March 2017, the Company granted 45,000,000 share options to certain employees. The granted options are vesting over 3 years from the date of grant and exercisable within the periods commencing from 17th March 2018 to 1st November 2025 (both days inclusive) with exercise price equal to HK$1.77, subject to the terms and conditions stipulated therein.

The fair value of options granted during the year determined using the Binomial Option Pricing Model was approximately HK$33,060,000. The significant inputs into the model were closing share price of HK$1.77 at the grant date, exercise price of HK$1.77, volatility of 49.60%, a vesting period of three years, an expected option life commencing from 17th March 2018 to 1st November 2025 (both days inclusive), dividend yield of 1.73% per annum and a risk-free interest rate of 1.78% per annum. The volatility measured at the grant date is referenced to the historical volatility of the Company.

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

		Number of share options (thousands)				
Expiry date	**Exercise price in HK$ per share option**	**As at 1st January 2017**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**As at 30th June 2017**
17th January 2021	**HK$5.008**	**21,670**	—	—	**(200)**	**21,470**
1st November 2025	**HK$1.77**	—	**45,000**	—	—	**45,000**
		21,670	**45,000**	—	**(200)**	**66,470**

For the six months ended 30th June 2017, 200,000 share options (six months ended 30th June 2016: 6,900,000) were lapsed as a result of the cessation of employment of certain employees.

16 BORROWINGS AND LOANS

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Non-current		
Bank borrowings	**291,456**	371,543
	291,456	371,543
Current		
Loans	**—**	94,837
Bank overdraft	**9,468**	4,802
Bank borrowings	**175,328**	64,056
	184,796	163,695
Total borrowings and loans	**476,252**	535,238

16 BORROWINGS AND LOANS (CONTINUED)

Movements in borrowings and loans are analyzed as follows:

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
As at 1st January	**535,238**	587,046
Net inception/(repayment) of short-term borrowings and loans	**67,434**	(2,847)
Repayment of long-term borrowings and loans	**(127,803)**	(21,650)
Exchange differences	**1,383**	(1,748)
As at 30th June	**476,252**	560,801

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

	As at 30th June 2017	As at 31st December 2016
	US$'000	US$'000
Total available and undrawn facilities	**1,772,613**	2,145,179

17 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Non-current		
License fee payable	**150,405**	34,086
Contingent consideration payable (Note a)	**5,603**	2,889
Accrued employee benefits	**2,677**	2,175
Others	**1,081**	2,078
	159,766	41,228
Current		
Trade payables	**1,931,350**	2,164,232
Other payables and accruals		
— Accrued employee benefits	**96,454**	99,733
— Accrued operating expenses	**113,256**	129,293
— Duty and tax payable other than income tax	**50,669**	55,161
— License fee payable	**54,666**	45,755
— Payables under discounting arrangement	**538,524**	303,517
— Payables for purchase of property, plant and equipment	**66,995**	86,455
— Royalty payables	**132,802**	126,052
— Others	**45,948**	43,169
	1,099,314	889,135
Total	**3,190,430**	3,094,595

17 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note:

(a) 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 Philips TV overseas business 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 condensed consolidated income statement.

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

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
0–30 days	**773,299**	808,140
31–60 days	**646,827**	736,160
61–90 days	**269,981**	309,391
Over 90 days	**241,243**	310,541
	1,931,350	2,164,232

18 PROVISIONS

	Six months ended 30th June							
	2017				2016			
	Warranty provision US$'000	**Restructuring provision US$'000**	**Other provisions US$'000**	**Total US$'000**	Warranty provision US$'000	Restructuring provision US$'000	Other provisions US$'000	Total US$'000
As at 1st January	**177,487**	**8,836**	**4,042**	**190,365**	152,876	753	2,728	156,357
Exchange differences	**3,100**	**364**	**354**	**3,818**	(1,298)	(1,592)	22	(2,868)
Charged to the income statement (Note 7)	**69,520**	**326**	**441**	**70,287**	88,180	54,476	1,767	144,423
Utilized during the period	**(74,342)**	**(4,392)**	**(8)**	**(78,742)**	(87,744)	(20,036)	(44)	(107,824)
As at 30th June	**175,765**	**5,134**	**4,829**	**185,728**	152,014	33,601	4,473	190,088

Analysis of warranty and other provisions:

	As at 30th June 2017				As at 31st December 2016			
	Warranty provision US$'000	**Restructuring provision US$'000**	**Other provisions US$'000**	**Total US$'000**	Warranty provision US$'000	Restructuring provision US$'000	Other provisions US$'000	Total US$'000
Non-current liabilities	**—**	**—**	**1,696**	**1,696**	—	—	1,570	1,570
Current liabilities	**175,765**	**5,134**	**3,133**	**184,032**	177,487	8,836	2,472	188,795
Total	**175,765**	**5,134**	**4,829**	**185,728**	177,487	8,836	4,042	190,365

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within an average period ranging from twelve months to thirty-six months. The provisions as at 30th June 2017 and 31st December 2016 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.

19 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, lawsuits, investigations, and legal proceedings that arise from time to time. Although the directors do not expect that the outcome in any of these legal proceedings will have a material adverse effect on the Group's financial position or results of operations, 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 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.

(b) 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.

(c) In February 2017, a third party company filed a complaint in Taipei against the Group. The complaint concerns claim of compensation related to another third party's license.

20 COMMITMENTS

(a) Capital commitments

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

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
Property, plant and equipment and other non-current assets	**44,893**	153,477

(b) Operating lease commitments — Group as lessee

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

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
No later than one year	**13,242**	13,099
Later than one year and no later than five years	**17,210**	18,842
Later than five years	**11,372**	11,288
	41,824	43,229

20 COMMITMENTS (CONTINUED)

(c) Operating lease commitments — Group as lessor

The Group leases various offices and warehouses under non-cancellable operating lease arrangements. The lease terms are between 1 and 20 years, and the majority of lease arrangements are renewable at the end of the lease period.

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

	As at 30th June 2017 US$'000	As at 31st December 2016 US$'000
No later than one year	**15,593**	14,702
Later than one year and no later than five years	**50,717**	41,275
Later than five years	**91,832**	90,511
	158,142	146,488

21 RELATED PARTY TRANSACTIONS

As at 30th June 2017, 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 not limited to sales and purchases of goods and services, payments for utilities, acquisition and sales of property, plant and equipment and land use rights and depositing and borrowing money.

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

During the six months ended 30th June 2017 and 2016, the Group had the following significant transactions with its associates and its substantial shareholders, CEC and Innolux.

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

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
Sales of goods to associates	**120,587**	187,542
Sales of goods to CEC and its subsidiaries	**136**	447
Purchases of goods and services from associates	**(56,893)**	(95,495)
Purchase of goods from CEC and its subsidiaries	**(66,838)**	(17,568)
Purchases of goods from Innolux and its subsidiaries	**(140,434)**	(125,260)
Rental income from associates	**968**	1,088
Royalty paid to CEC and its subsidiaries	**(114)**	(123)
Reimbursement of warranty cost from an associate	**1,427**	1,678
Rental expense to CEC and its subsidiaries	**(137)**	(175)

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30th June	
	2017	2016
	US$'000	US$'000
Salaries and other short-term employee benefits	**1,291**	1,395
Share-based payments	**37**	—
	1,328	1,395

(c) Period/year-end balances

	As at 30th June 2017	As at 31st December 2016
	US$'000	US$'000
Receivables from associates (Note (i))	**87,642**	82,148
Receivables from substantial shareholders and their subsidiaries (Note (i))		
— CEC and its subsidiaries	**62**	1
Payables to associates (Note (ii))	**27,936**	69,914
Payables to substantial shareholders and their subsidiaries (Note (ii))		
— CEC and its subsidiaries	**23,455**	18,385
— Innolux and its subsidiaries	**31,415**	38,070
	54,870	56,455

21 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

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

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

22 SEASONALITY OF OPERATIONS

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

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