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TPV

TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018

INTERIM RESULTS

The board of directors (the "Board") of TPV Technology Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries ("TPV" or the "Group") for the six months ended 30th June 2018 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2018

		Unaudited	
		Six months ended 30th June	
		2018	2017
	Note	***US$'000***	*US$'000*
Revenue	*4*	**4,511,601**	4,374,590
Cost of sales		**(4,115,931)**	(4,032,465)
Gross profit		**395,670**	342,125
Other income		**45,828**	36,389
Other (losses)/gains— net		**(28,698)**	9,144
Selling and distribution expenses		**(202,400)**	(180,823)
Administrative expenses		**(79,135)**	(90,466)
Research and development expenses		**(87,723)**	(87,243)
Operating profit	*4 & 5*	**43,542**	29,126
Finance income		**3,658**	2,645
Finance costs		**(22,316)**	(17,649)
Finance costs — net	*6*	**(18,658)**	(15,004)

	Note	Unaudited Six months ended 30th June **2018** *US$'000*	2017 *US$'000*
Share of losses of associates		**(4,858)**	(419)
Profit before income tax		**20,026**	13,703
Income tax expense	*7*	**(31,972)**	(13,274)
(Loss)/profit for the period		**(11,946)**	429
(Loss)/profit attributable to:			
Owners of the Company		**(10,342)**	254
Non-controlling interests		**(1,604)**	175
		(11,946)	429
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted	*8*	**(US0.44 cent)**	US0.01 cent

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2018

	Unaudited	
	Six months ended 30th June	
	2018	2017
	US$'000	*US$'000*
(Loss)/profit for the period	**(11,946)**	429
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
Currency translation differences	**(49,116)**	(30,535)
Release of exchange reserve to profit or loss upon disposal/closure of:		
— An associate and a joint venture	**—**	98
— A subsidiary	**1,622**	—
Item that will not be reclassified to profit or loss		
Fair value loss on financial assets at fair value through other comprehensive income	**(234)**	—
Other comprehensive loss for the period, net of tax	**(47,728)**	(29,559)
Total comprehensive loss for the period	**(59,674)**	(29,130)
Total comprehensive (loss)/income attributable to:		
— Owners of the Company	**(58,181)**	(29,304)
— Non-controlling interests	**(1,493)**	174
	(59,674)	(29,130)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30TH JUNE 2018

	Note	**Unaudited 30th June 2018 US$'000**	Audited 31st December 2017 US$'000
Assets			
Non-current assets			
Intangible assets	10	**583,980**	545,117
Property, plant and equipment	10	**481,273**	502,651
Land use rights	10	**17,575**	17,957
Investment properties	10	**236,856**	238,288
Investments in associates		**38,289**	43,838
Derivative financial instruments		**51,672**	4,289
Available-for-sale financial assets		**—**	3,168
Financial assets at fair value through other comprehensive income		**2,267**	—
Deferred income tax assets		**72,570**	81,519
Prepayments and other receivables	11	**29,453**	24,290
		1,513,935	1,461,117
Current assets			
Inventories		**1,268,441**	1,317,821
Trade receivables	11	**1,690,924**	1,983,543
Deposits, prepayments and other receivables	11	**268,834**	260,792
Financial assets at fair value through profit or loss		**—**	21,517
Current income tax recoverable		**13,276**	7,944
Derivative financial instruments		**65,578**	31,070
Pledged bank deposits		**876**	905
Short-term bank deposits		**22,256**	29,295
Cash and cash equivalents		**409,261**	450,393
		3,739,446	4,103,280
Total assets		**5,253,381**	5,564,397

	Note	Unaudited 30th June 2018 US$'000	Audited 31st December 2017 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital		**23,456**	23,456
Other reserves		**1,451,725**	1,535,228
		1,475,181	1,558,684
Non-controlling interests		**3,122**	4,615
Total equity		**1,478,303**	1,563,299
Liabilities			
Non-current liabilities			
Borrowings		**480,649**	484,772
Deferred income tax liabilities		**49,714**	39,776
Pension obligations		**12,264**	12,600
Other payables and accruals	12	**159,582**	116,406
Derivative financial instruments		**22,401**	2,551
Provisions		**1,410**	1,517
		726,020	657,622
Current liabilities			
Trade payables	12	**1,883,799**	2,024,052
Other payables and accruals	12	**835,834**	958,663
Current income tax liabilities		**7,567**	14,717
Provisions		**195,605**	203,520
Derivative financial instruments		**53,802**	45,456
Borrowings		**72,451**	97,068
		3,049,058	3,343,476
Total liabilities		**3,775,078**	4,001,098
Total equity and liabilities		**5,253,381**	5,564,397

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 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 2017 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 and the adoption of new and amended standards as set out below.

(a) The following amendments to standards are mandatory for the first time for the financial year beginning 1st January 2018 and currently relevant to the Group:

- Amendments to HKFRS 1 and HKAS 28, "Annual Improvements 2014-2016 Cycle"
- Amendments to HKFRS 2, "Classification and Measurement of Share-based Payment Transactions"
- Amendments to HKFRS 4, "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
- HKFRS 9, "Financial Instruments"
- HKFRS 15, "Revenue from Contracts with Customers"
- Amendments to HKFRS 15, "Clarifications to HKFRS 15"
- Amendments to HKAS 40, "Transfers of Investment Property"
- HK(IFRIC) — Int 22, "Foreign Currency Transactions and Advance Consideration"

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" are disclosed in Note 2.1 below.

Apart from aforementioned HKFRS 9 and HKFRS 15, 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.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1st January 2018 and have not been early adopted by the Group:

Amendments to HKFRS 9, "Prepayment Features with Negative Compensation"	1st January 2019
HKFRS 16, "Leases"	1st January 2019
HK(IFRIC) — Int 23, "Uncertainty over Income Tax Treatments"	1st January 2019
HKFRS 17, "Insurance contracts"	1st January 2021
Amendments to HKFRS 10 and HKAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Note

Note: To be announced by HKICPA

HKFRS 16 "Leases"

HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. 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.

Impact

Based on management's initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in a significant increase in both assets and liabilities in the consolidated balance sheet. The adoption will also front-load the expense recognition in the consolidated income statement over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortization of the right-of-use assets as compared to the rental expenses under existing standard.

Date of adoption by Group

It is mandatory for financial years commencing on or after 1st January 2019. At this stage the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

2.1 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial information and also disclose the new accounting policies that have been applied from 1st January 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31st December 2017, but are recognized in the opening balance sheet on 1st January 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

Condensed consolidated interim balance sheet (extract)	**31st December 2017 as originally presented**	**Effects of the adoption of HKFRS 9**	**Effects of the adoption of HKFRS 15**	**1st January 2018 Restated**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Non-current assets				
Available-for-sale financial assets	3,168	(3,168)	—	—
Financial assets at fair value through other comprehensive income	—	3,168	—	3,168
Current assets				
Trade receivables	1,983,543	(21,514)	—	1,962,029
Current liabilities				
Other payables and accruals	958,663	—	7,203	965,866
Provision	203,520	—	(5,545)	197,975
Equity				
Retained profits	770,312	(21,514)	(1,658)	747,140

(a) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

The total impact on the Group's retained profits as at 1st January 2018 is as follows:

	Notes	*US$'000*
Opening retained profits — HKAS 39		770,312
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(i)	—
Increase in provision for impairment of trade receivables	(ii)	(21,514)
Adjustment to retained profits from adoption of HKFRS 9		(21,514)
Opening retained profits — HKFRS 9		748,798

(i) Classification and measurements

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the approximate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as available-for-sale financial assets in other comprehensive income.

The impact of the reclassification is as follows:

	Available-for-sale financial assets *US$'000*	**Financial assets at fair value through other comprehensive income** *US$'000*
Opening balance — HKAS 39	3,168	—
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(3,168)	3,168
Opening balance — HKFRS 9	—	3,168

The impact of these changes on the Group's equity is as follows:

	Available-for-sale financial assets fair value reserve *US$'000*	Financial assets at fair value through other comprehensive income fair value reserve *US$'000*
Opening balance — HKAS 39	950	—
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(950)	950
Opening balance — HKFRS 9	—	950

(ii) *Impairment of financial assets*

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Other receivables
- Trade receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumption concerning the futures which are discussed below:

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the customers' past settlement pattern, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents, short-term bank deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Other receivables

The impairment loss on other receivables was immaterial.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The loss allowances for trade receivables as at 31st December 2017 reconcile to the opening loss allowances on 1st January 2018 as follows:

	US$'000
At 31st December 2017 — HKAS 39	81,387
Amounts additionally provided through opening retained profits on adoption of HKFRS 9	21,514
Opening loss allowance as at 1st January 2018 — HKFRS 9	102,901

(b) HKFRS 9 Financial Instruments — Accounting policies

(i) Classification

From 1st January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other (losses)/gains — net, together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized other (losses)/gains — net in the condensed consolidated interim income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(iii) Impairment

From 1st January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(c) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18 which resulted in changes accounting policies that relate to timing of revenue recognition and presentation of contract liabilities.

The impact on the Group's retained profits as at 1st January 2018 is as follows:

	US$'000
Retained profits — after HKFRS 9 restatement	748,798
Increase in contract liabilities related to unsatisfied performance obligation *(Note)*	(1,658)
Opening retained profits — HKFRS 9 and HKFRS 15	747,140

Note: Management has identified certain shipping arrangements and warranty arrangements as separate performance obligations, the total consideration of the sales contracts are allocated to the performance obligations identified based on the relative stand-alone selling prices. As a consequence, the contract liabilities in relation to the unsatisfied performance obligation were recognized in other payables and accruals as at 1st January 2018.

(d) HKFRS 15 Revenue from Contracts with Customers — Accounting policies

(i) Sales of goods

The Group manufactures and sells a range of computer monitors, flat TV products and other display products. Revenue is recognized when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sales of services — Shipping arrangement and warranty services

The Group provides shipping services and warranty services on the goods sold to the customers under certain sales contracts.

Shipping services give rise to a separate performance obligation when the Group promises to ship the products after the control of the products are transferred to the customer.

Warranty services give rise to a separate performance obligation when the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. The Group has considered different factors to assess whether warranty services give rise to a separate performance obligation, including:

1) Whether the warranty is required by law;

2) The length of the warranty coverage period;

3) The nature of the tasks that the entity promises to perform

Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

3 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 2017, except for impairment of financial assets disclosed in Note 2.1(a)(ii).

4 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 losses of associates 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, financial assets at fair value through other comprehensive income, available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss, current income tax recoverable, pledged bank deposits, short-term bank deposits, cash and cash equivalents and other unallocated assets, which are managed centrally.

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

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

The following tables present revenue and operating profit/(loss) information regarding the Group's reportable segments for the six months ended 30th June 2018 and 2017 respectively.

	For the six months ended 30th June 2018			
	Monitors	**TVs**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Revenue	**2,469,696**	**1,863,749**	**178,156**	**4,511,601**
Adjusted operating profit/(loss)	**81,618**	**(46,596)**	**(16,680)**	**18,342**
Depreciation of property, plant and equipment	**(23,643)**	**(37,599)**	**(155)**	**(61,397)**
Amortization of land use rights	**—**	**—**	**(249)**	**(249)**
Amortization of intangible assets	**(3,519)**	**(25,472)**	**(3,783)**	**(32,774)**
Capital expenditure	**(12,959)**	**(40,468)**	**(74,170)**	**(127,597)**
Provision for impairment of trade receivables	**(415)**	**(792)**	**(421)**	**(1,628)**
Impairment loss on trademark	**—**	**—**	**(5,000)**	**(5,000)**

	For the six months ended 30th June 2017			
	Monitors	TVs	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'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)
Capital expenditure	(11,035)	(165,320)	(17,036)	(193,391)
Release of trademark license fee payable	—	12,566	—	12,566
Provision for impairment of trade receivables	—	(12,463)	—	(12,463)

The following tables present segment assets as at 30th June 2018 and 31st December 2017 respectively.

	As at 30th June 2018			
	Monitors	**TVs**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Segment assets	**2,262,416**	**2,017,692**	**145,706**	**4,425,814**

	As at 31st December 2017			
	Monitors	TVs	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment assets	2,131,079	2,373,578	159,770	4,664,427

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	
	2018	2017
	US$'000	*US$'000*
Adjusted operating profit for reportable segments	**18,342**	16,123
Unallocated income	**34,242**	22,839
Unallocated expenses	**(9,042)**	(9,836)
Operating profit	**43,542**	29,126
Finance income	**3,658**	2,645
Finance costs	**(22,316)**	(17,649)
Share of losses of associates	**(4,858)**	(419)
Profit before income tax	**20,026**	13,703

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

	As at 30th June 2018 *US$'000*	As at 31st December 2017 *US$'000*
Segment assets	**4,425,814**	4,664,427
Investment properties	**236,856**	238,288
Investments in associates	**38,289**	43,838
Financial assets at fair value through other comprehensive income	**2,267**	—
Available-for-sale financial assets	**—**	3,168
Financial assets at fair value through profit or loss	**—**	21,517
Deferred income tax assets	**72,570**	81,519
Current income tax recoverable	**13,276**	7,944
Pledged bank deposits	**876**	905
Short-term bank deposits	**22,256**	29,295
Cash and cash equivalents	**409,261**	450,393
Other unallocated assets	**31,916**	23,103
Total assets	**5,253,381**	5,564,397

The analysis of revenue by geographical area is as follows:

	Six months ended 30th June 2018 *US$'000*	2017 *US$'000*
The People's Republic of China (The "PRC")	**1,030,578**	1,356,164
Europe	**1,526,549**	1,170,247
North America	**977,629**	1,029,873
South America	**500,435**	343,516
Rest of the world	**476,410**	474,790
	4,511,601	4,374,590

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

	As at 30th June 2018	As at 31st December 2017
	US$'000	*US$'000*
The PRC	**645,128**	669,430
Europe	**159,260**	174,205
North America	**10,715**	11,253
South America	**39,710**	47,383
Rest of the world	**503,160**	445,580
	1,357,973	1,347,851

5 OPERATING PROFIT

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

	Six months ended 30th June	
	2018	2017
	US$'000	*US$'000*
Realized and unrealized gains/(losses) on derivative instruments — net	**15,396**	(48,121)
Net exchange (losses)/gains	**(46,453)**	43,706
Gains on disposal of property, plant and equipment	**392**	181
Loss on disposal of an associate and a joint venture — net	**—**	(48)
(Loss)/gain on disposal of subsidiaries	**(1,622)**	829
Gain/(loss) on remeasurement on contingent consideration payable	**3,600**	(2,323)
Impairment loss on trademark	**(5,000)**	—
Release of trademark license fee payable	**—**	12,566
Gains on disposal of financial assets at fair value through profit or loss	**4,989**	1,992
Fair value gains on financial assets at fair value through profit or loss	**—**	518
Employee benefit expenses (including directors' emoluments)	**(275,798)**	(251,518)
Operating lease rental for land, buildings and machinery	**(10,175)**	(9,282)
Amortization of intangible assets *(Note 10)*	**(32,774)**	(28,280)
Amortization of land use rights *(Note 10)*	**(249)**	(247)
Depreciation of property, plant and equipment *(Note 10)*	**(61,397)**	(56,493)
Provision for impairment of trade receivables	**(1,628)**	(12,463)
Charge for warranty provision	**(60,268)**	(69,520)
Provision for restructuring and other provisions	**(1,084)**	(767)

6 FINANCE COSTS — NET

	Six months ended 30th June	
	2018	2017
	US$'000	*US$'000*
Interest expenses		
— Interest expense on bank borrowings and factoring arrangements	**(20,000)**	(14,959)
— Interest expense on loans	**—**	(581)
Unwinding of interests		
— Unwinding of interests on license fee payable	**(2,090)**	(1,718)
— Unwinding of interests on contingent consideration payable	**(226)**	(391)
Finance costs	**(22,316)**	(17,649)
Interest income on cash at bank and bank deposits	**3,658**	2,645
Finance costs — net	**(18,658)**	(15,004)

7 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 2018 and 2017.

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30th June 2018 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	
	2018	2017
	US$'000	*US$'000*
Current income tax	**(15,926)**	(20,254)
Deferred income tax (charge)/credit	**(16,046)**	6,980
Income tax expense	**(31,972)**	(13,274)

8 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2018	2017
(Loss)/profit attributable to owners of the Company *(US$'000)*	**(10,342)**	254
Weighted average number of ordinary shares in issue *(thousands)*	**2,345,636**	2,345,636
Basic (loss)/earnings per share *(US cents per share)*	**(0.44)**	0.01

(b) Diluted

Diluted (loss)/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 (loss)/earnings per share for the six months ended 30th June 2018 and 2017 equal basic (loss)/profit per share as the exercise of the outstanding share options would be anti-dilutive.

9 DIVIDENDS

The board of directors does not recommend the payment of interim dividend for the six months ended 30th June 2018 (Six months ended 30th June 2017: Nil).

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

	Intangible assets	Property, plant and equipment	Land use rights	Investment properties
	US$'000	*US$'000*	*US$'000*	*US$'000*
Six months ended 30th June 2018				
Opening net book amount at 1st January 2018	**545,117**	**502,651**	**17,957**	**238,288**
Exchange differences	**(3,127)**	**(7,731)**	**(133)**	**(1,432)**
Additions	**79,764**	**47,833**	**—**	**—**
Disposals	**—**	**(83)**	**—**	**—**
Impairment *(Note (i))*	**(5,000)**	**—**	**—**	**—**
Amortization/depreciation *(Note 5)*	**(32,774)**	**(61,397)**	**(249)**	**—**
Closing net book amount at 30th June 2018	**583,980**	**481,273**	**17,575**	**236,856**
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 5)*	(28,280)	(56,493)	(247)	—
Closing net book amount at 30th June 2017	597,745	497,227	18,600	205,788

Note:

(i) During the period ended 30th June 2018, management considered there was impairment indicator in relation to the mobile and tablets trademark due to underperformance of sales and gross profit margins against the budget. An impairment loss on trademark of US$5,000,000 was recognized in the condensed consolidated interim income statement.

11 TRADE AND OTHER RECEIVABLES, DEPOSITS, AND PREPAYMENTS

	As at 30th June 2018	As at 31st December 2017
	US$'000	*US$'000*
Non-current		
Prepayments and other receivables	**29,453**	24,290
Current		
Trade receivables	**1,775,068**	2,064,930
Less: provision for impairment of trade receivables	**(84,144)**	(81,387)
Trade receivables, net	**1,690,924**	1,983,543
Deposits	**6,117**	6,253
Prepayments	**40,110**	35,216
Other receivables		
— Value-added tax recoverable	**121,622**	142,253
— Consideration receivable from disposal of financial assets at fair value through profit or loss	**24,863**	—
— Others	**76,122**	77,070
	268,834	260,792
Total	**1,989,211**	2,268,625

The Group's sales are primarily on credit terms from 30 to 120 days and certain 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 2018	As at 31st December 2017
	US$'000	*US$'000*
0–30 days	**385,365**	432,988
31–60 days	**659,928**	883,633
61–90 days	**423,785**	438,913
Over 90 days	**305,990**	309,396
	1,775,068	2,064,930

12 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30th June 2018 US$'000	As at 31st December 2017 US$'000
Non-current		
License fee payable	**155,391**	106,446
Contingent consideration payable	**2,620**	5,994
Accrued employee benefits	**1,027**	3,184
Others	**544**	782
	159,582	116,406
Current		
Trade payables	**1,883,799**	2,024,052
Other payables and accruals		
— Accrued employee benefits	**92,075**	103,427
— Accrued operating expenses	**120,209**	142,132
— Duty and tax payable other than income tax	**56,866**	65,103
— License fee payable	**76,182**	78,844
— Payables under discounting arrangement	**206,065**	264,031
— Payables for purchase of property, plant and equipment	**65,060**	93,923
— Royalty payables	**154,290**	157,659
— Contract liabilities	**4,356**	—
— Others	**60,731**	53,544
	835,834	958,663
Total	**2,879,215**	3,099,121

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

	As at 30th June 2018 US$'000	As at 31st December 2017 US$'000
0–30 days	**726,261**	790,415
31–60 days	**605,326**	680,871
61–90 days	**311,843**	271,564
Over 90 days	**240,369**	281,202
	1,883,799	2,024,052

13 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, lawsuits, investigations, and legal proceedings that arise from time to time. Although the directors do not expect that the outcome in any of these legal proceedings will have a material adverse effect on the Group's financial position or results of operations, litigation is inherently unpredictable. The directors are of the opinion that the details of these legal and other proceedings are sensitive and disclosures are therefore not set out in full.

(a) In 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 a third party's license.

On 22nd May 2018, a final judgement was entered by the district court judge. The directors consider that this judgement does not have any material financial impact on the Group as a whole.

14 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 2018	As at 31st December 2017
	US$'000	*US$'000*
Property, plant and equipment and other non-current assets	**32,209**	55,713

(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 2018	As at 31st December 2017
	US$'000	*US$'000*
No later than one year	**12,536**	14,749
Later than one year and no later than five years	**19,009**	16,496
Later than five years	**14,801**	11,138
	46,346	42,383

(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 2018	As at 31st December 2017
	US$'000	*US$'000*
No later than one year	**15,694**	16,230
Later than one year and no later than five years	**40,596**	45,738
Later than five years	**86,867**	91,505
	143,157	153,473

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June 2018 (six months ended 30th June 2017: Nil).

INDUSTRY OVERVIEW

The first half of 2018 presented a more favourable operating environment, marked by steady growth in the global economy despite the trade dispute between China and the United States ("US") beginning in May. Europe and the US recorded satisfactory growth, while China continued to regain stability and the emerging markets maintained their upward trajectory. The currency market was also largely stable, except for the appreciation of the US dollar against several currencies in the emerging countries late in the second quarter.

Across the industry, panel prices saw continued correction throughout the reviewing period. Prices for TV panels came down between 10 to 20 percent and monitor panel prices dropped by 5 to 10 percent on average across the board. Global demand for TVs and monitors mirrored the previous year, with TV shipments climbing slightly in the second quarter due to a spike in demand during the World Cup. For the first six months of 2018, 96.6 million TV sets were shipped globally (1H2017: 91.2 million sets), along with 59.3 million monitor units (1H2017: 58.4 million units).

GROUP RESULTS

Building on last quarter's momentum, the Group's operation continued to improve and strengthen during the period under review compared to the previous year. For the six months ended 30th June 2018, consolidated revenue increased 3.1 percent to US$4.51 billion compared to last year's results (1H2017: US$4.37 billion). Owing to a drop in the cost of key components, the Group's gross profit ("GP") margin grew by 1 percentage point to 8.8 percent compared to the same period last year (1H2017: 7.8 percent), bringing the operating profit before tax to approximately US$20 million (1H2017: US$13.7 million). The improvement in operational results was largely compromised by the collapse of some emerging market currencies, such as the Argentine peso, Turkish lira, and Brazilian real, adversely impacting the local operating performances. There were also additional deferred taxation charges of US$13.8 million arising from favourable valuation of financial assets as at the period end (1H2017: deferred taxation credits of US$11.5 million), leading to the Group recording a higher tax cost and reporting a loss to shareholders of US$10.3 million after taxation (1H2017: profit of US$0.3 million).

In terms of geographic contribution, Europe overtook China as the Group's largest market, attributable to accelerating TV and monitor shipments. Revenue from Europe recorded a 30 percent growth compared to the same period last year and accounted for 33.8 percent of the total (1H2017: 26.7 percent). Turnover from China, negatively

affected by slow demand and stiff market competition resulting in the drop of ODM orders, fell 24 percent from over a year ago to account for 22.8 percent of the consolidated revenue (1H2017: 31 percent), followed by North America which contributed 21.7 percent (1H2017: 23.5 percent). Sales in South America remained strong, with revenue surging by almost 45 percent over the same period last year, accounting for 11.1 percent (1H2017: 7.9 percent) and the rest of the world accounted for 10.6 percent of the Group's total revenue (1H2017: 10.9 percent).

Operationally, the Group recently entered into a new licence agreement with Philips for the global manufacturing and sale and distribution of audio and video products under the Philips brand name. This arrangement allows the Group to broaden its product portfolio and increase its competitiveness across all consumer electronics segments.

In the period under review, the Group adopted two new accounting standards; HKFRS 15 — Revenue from contracts with customers, and HKFRS 9 — Financial Instruments. The adoption of these standards resulted in the Group reporting opening balance sheet adjustments through equity of US$23.2 million and no other significant impact on the Group results for the period under review.

TVs

The Group's TV shipments stood at 7.4 million sets during the period under review, to the same as a year ago, generating segment revenue of US$1.86 billion (1H2017: US$1.85 billion). Average selling price ("ASP") remained the same as last year at US$250.80 (1H2017: US$250.20). GP margin strengthened from 7.1 percent last year to 10 percent this year due to the lower cost of panels. Nonetheless, the increased margin was offset by foreign exchange loss and higher marketing expenses resulting in an adjusted operating loss of US$46.6 million (1H2017: US$72.1 million loss) for the business segment.

Shipments to Europe and South America, driven by steady economic growth and World Cup sentiment, rose considerably at rates of 30 and 45 percent respectively. However, the growth was offset by the drop in China and North America in the face of fierce competition and reduction in ODM TV orders. In June 2018, the Group was granted the rights to expand the sale and distribution of Philips TVs into India and additional South American countries, on top of its existing license rights covering most parts of the world, giving the Group valuable leverage to quickly penetrate into these fast-growing emerging markets.

During the period, the Group continued to maintain regular dialogue with its OTT ("over-the-top content") customers. Following the expected credit loss assessment as required by HKFRS 9, the Group increased its opening provision position for these customers by US$10.7 million. This will be reassessed during the annual review.

Monitors

A total of 21.9 million monitor units were shipped during the reviewing period (1H2017: 20.8 million units), solidifying the Group's leading position in the segment with a market share of 35.9 percent (1H2017: 34.8 percent). Segment revenue increased accordingly to US$2.47 billion (1H2017: US$2.32 billion) with ASP hovering around US$113.00 (1H2017: US$111.90) and GP margin holding at 8.3 percent (1H2017: 8.2 percent). However, an increase of 15 percent in marketing and R&D expenses for new product development drove down the adjusted operating profit for the segment to US$81.6 million (1H2017: US$84.2 million).

Backed by steady economic growth and increased IT spending, demand for monitors in Europe increased by 5.5 percent year-on-year, whereas the Group's shipments rose by 22 percent, outperforming market growth. However, these gains were offset by the decline in China where the demand in commercial and consumer markets remained sluggish. According to iHS, shipments to China fell about 5 percent year-on-year in the first six months of this year.

OUTLOOK

Global economic outlook is mixed, with some positive developments and some uncertainties. On the bright side, continuous improvement in Europe and the US will drive consumer spending and enterprise investments. However, increasing trade friction between China and the US causes concern. Moreover, the appreciation of the US dollar in the second quarter and the rise in interest rates is expected to take its toll during the second half of the year, particularly in Argentina and Brazil, where there was a significant exodus of foreign capital, causing the slowing down of regional business activities. The Group expects to face the same pressure in these regions in the second half of the year. As ever, the Group will remain vigilant to any shifts in these developments and proactively adjust its strategy to pursue greater shareholder value.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June 2018, the Group has cash and cash equivalents (including pledged bank deposits) of US$432.4 million (31st December 2017: US$480.6 million). Credit facilities granted by banks totalled US$4.28 billion (31st December 2017: US$4.50 billion), of which US$1.86 billion was utilized (31st December 2017: US$2.04 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 2018 was as follows:

	As at 30th June 2018	As at 31st December 2017
	US$'000	*US$'000*
Within one year	**72,451**	97,068
Between one and two years	**267,153**	123,135
Between two and five years	**213,496**	361,637
Total	**553,100**	581,840

WORKFORCE

As at 30th June 2018, the Group had a total workforce of 28,355 (31st December 2017: 29,014) 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.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30th June 2018, 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 2018, 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 2018.

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.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 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 2018.

INTERIM REPORT

The Interim Report for the six months ended 30th June 2018 will be despatched to shareholders and will be published on the websites of the Exchange (www.hkex.com.hk) and Singapore Exchange Limited (www.sgx.com) as well as the website of the Company (www.tpv-tech.com) in due course. Printed copies will be sent to shareholders who have elected to receive printed copies on or about 11th September 2018.

On behalf of the Board
Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 16 August 2018

As at the date of this announcement, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Zhang Dongchen, Mr Xu Guofei, 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.