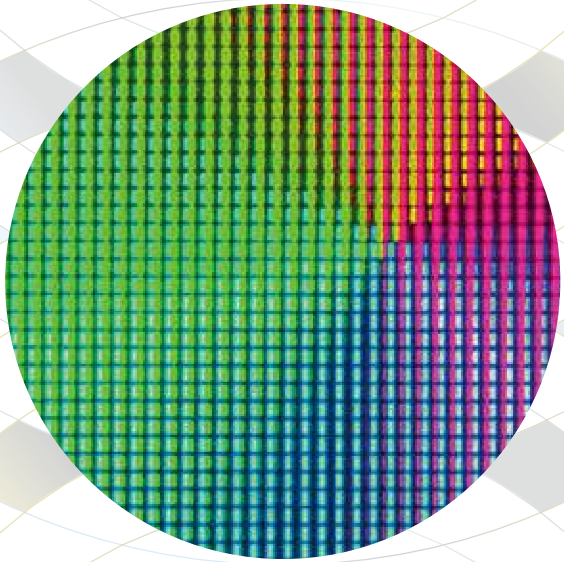
# Interim Report 2018



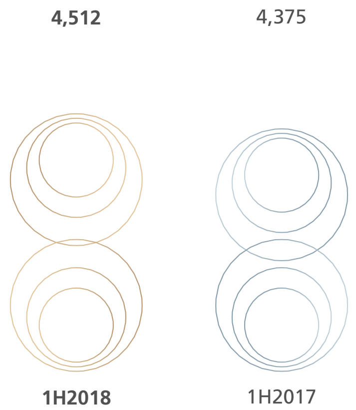
TPV TECHNOLOGY LIMITED 冠 捷 科 技 有 限 公 司

(Incorporated in Bermuda with limited liability)

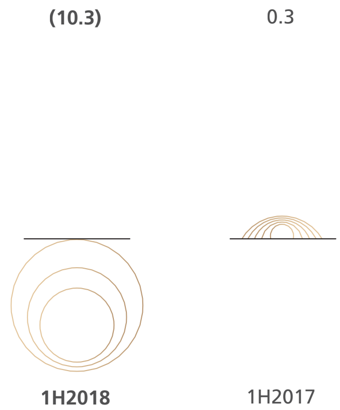
# Contents

# Financial Highlights

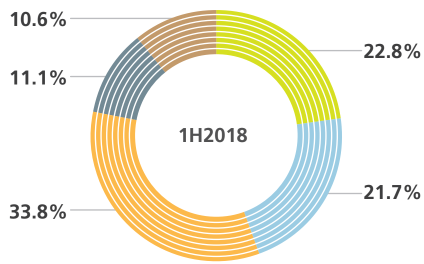
## Revenue
(US$ Million)

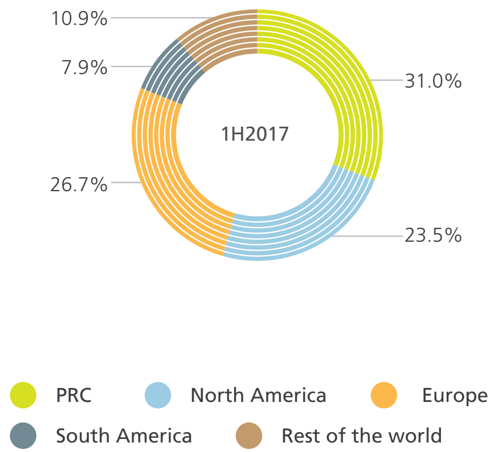



## (Loss)/Profit Attributable to Equity Holders
(US$ Million)

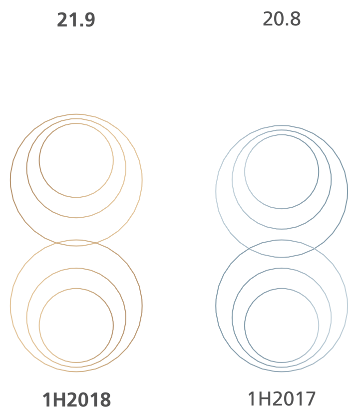



## Geographical Contribution
(%)

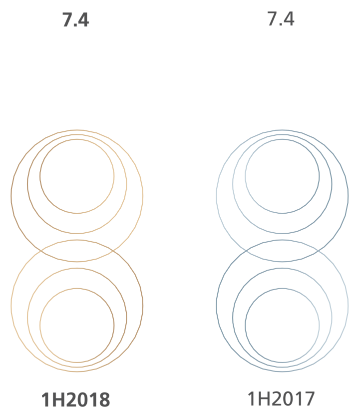



## Monitors
(Million Units)




## LCD TVs
(Million Units)



# Business Review

## 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 US$'000** | As at 31st December 2017 US$'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 |

## 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 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2018, 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 2018, 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 2018 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 2018, 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 SHAREHOLDER'S INTERESTS

As at 30th June 2018, 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") | 426,802,590 (Note 3) | 18.20% |
| Shanghai Putao Corporate Management Advisory Partnership ("Shanghai Putao") | 426,802,590 (Note 3) | 18.20% |
| Zhuhai Kedi Equity Investment Management Co. Ltd. ("Zhuhai Kedi") | 426,802,590 (Note 3) | 18.20% |
| Zhuhai Puluo Capital Management Co. Ltd. ("Zhuhai Puluo") | 426,802,590 (Note 3) | 18.20% |
| Shanghai Providence Equity Investment Management Partnership ("Shanghai Providence") | 426,802,590 (Note 3) | 18.20% |
| Xu Chenhao[1] | 426,802,590 (Note 3) | 18.20% |
| 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 2018 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 2018** | **Exercised** | **Lapsed** | **As at 30th June 2018** |
| **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 | 5,142,500 | — | (50,000) | 5,092,500 |
| | | | 18/01/2013–17/01/2021 | 5,142,500 | — | (50,000) | 5,092,500 |
| | | | 18/01/2014–17/01/2021 | 5,142,500 | — | (50,000) | 5,092,500 |
| | | | 18/01/2015–17/01/2021 | 5,142,500 | — | (50,000) | 5,092,500 |
| | | | | 21,170,000 | — | (200,000) | 20,970,000 |

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.

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 2018 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 2018 | Exercised | Lapsed | As at 30th June 2018 |
|---|---|---|---|---|---|---|---|
| **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 20 to the financial information.

## 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.

## 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 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 2017 Annual Report of the Company are set out below:

Mr Zhong Dongchen and Mr Xu Guofei were appointed as non-executive directors with effect from 30th July 2018.

Mr Yang Jun and Mr Zhu Lifeng resigned as non-executive directors with effect from 29nd March 2018 and 16th May 2018 respectively.

Details of the above changes are set out in the announcement of the Company dated 29th March 2018, 16th May 2018 and 30th July 2018.

Mr Wong Chi Keung resigned as an independent non-executive director of China Shanshui Cement Group Limited with effect from 23rd May 2018.

## 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 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).

## 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.

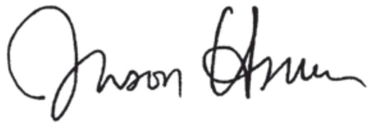
The management personnel responsible for investor relations hold regular meetings with the media, equity research analysts, fund managers and investors. The Company also holds presentations, road shows and conference calls for the international investment community from time to time.

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 Zhong 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.

On behalf of the Board



**Dr Hsuan, Jason**
*Chairman and Chief Executive Officer*

Hong Kong, 16th August 2018

# Condensed Consolidated Interim Income Statement

*FOR THE SIX MONTHS ENDED 30TH JUNE 2018*

| | Note | Unaudited<br>Six months ended 30th June<br>2018<br>US$'000 | <br><br>2017<br>US$'000 |
|---|---|---|---|
| Revenue | 7 | **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** | 7 & 8 | **43,542** | 29,126 |
| Finance income | | **3,658** | 2,645 |
| Finance costs | | **(22,316)** | (17,649) |
| Finance costs — net | 9 | **(18,658)** | (15,004) |
| Share of losses of associates | | **(4,858)** | (419) |
| **Profit before income tax** | | **20,026** | 13,703 |
| Income tax expense | 10 | **(31,972)** | (13,274) |
| **(Loss)/profit for the period** | | **(11,946)** | 429 |

# Condensed Consolidated Interim Income Statement *(Continued)*

*FOR THE SIX MONTHS ENDED 30TH JUNE 2018*

| | Note | Unaudited<br>Six months ended 30th June<br>**2018**<br>**US$'000** | <br><br>2017<br>US$'000 |
|---|---|---|---|
| **(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 | 11 | **(US0.44 cent)** | US0.01 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 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) |

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

# 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 | 13 | **583,980** | 545,117 |
| Property, plant and equipment | 13 | **481,273** | 502,651 |
| Land use rights | 13 | **17,575** | 17,957 |
| Investment properties | 13 | **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 | 15 | **29,453** | 24,290 |
| | | **1,513,935** | 1,461,117 |
| **Current assets** | | | |
| Inventories | | **1,268,441** | 1,317,821 |
| Trade receivables | 15 | **1,690,924** | 1,983,543 |
| Deposits, prepayments and other receivables | 15 | **268,834** | 260,792 |
| Financial assets at fair value through profit or loss | 14 | **—** | 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 |

# Condensed Consolidated Interim Balance Sheet *(Continued)*

*AS AT 30TH JUNE 2018*

| | Note | **Unaudited 30th June 2018 US$'000** | Audited 31st December 2017 US$'000 |
|---|---|---|---|
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 16 | **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 | 17 | **480,649** | 484,772 |
| Deferred income tax liabilities | | **49,714** | 39,776 |
| Pension obligations | | **12,264** | 12,600 |
| Other payables and accruals | 18 | **159,582** | 116,406 |
| Derivative financial instruments | | **22,401** | 2,551 |
| Provisions | 19 | **1,410** | 1,517 |
| | | **726,020** | 657,622 |

# Condensed Consolidated Interim Balance Sheet *(Continued)*

*AS AT 30TH JUNE 2018*

| | Note | **Unaudited 30th June 2018 US$'000** | Audited 31st December 2017 US$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | 18 | **1,883,799** | 2,024,052 |
| Other payables and accruals | 18 | **835,834** | 958,663 |
| Current income tax liabilities | | **7,567** | 14,717 |
| Provisions | 19 | **195,605** | 203,520 |
| Derivative financial instruments | | **53,802** | 45,456 |
| Borrowings | 17 | **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 |

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 2018*

| | Unaudited | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | | | | | |
| | Share capital US$'000 | Share premium US$'000 | Capital reserve US$'000 | Share redemption reserve US$'000 | Employee share-based compensation reserve US$'000 | Exchange reserve US$'000 | Reserve fund (Note (a)) US$'000 | Merger difference (Note (b)) US$'000 | Available-for-sale financial assets fair value reserve US$'000 | Financial assets at fair value through other comprehensive income fair value reserve US$'000 | Assets revaluation surplus US$'000 | Other Reserves (Note (c)) US$'000 | Retained profits US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| Balance as at 31st December 2017 | 23,456 | 759,464 | 96,187 | 12 | 21,648 | (171,977) | 109,995 | 45,441 | 950 | — | 45,760 | (142,564) | 770,312 | 4,615 | 1,563,299 |
| Change in accounting policies (Note 4) | — | — | — | — | — | — | — | — | (950) | 950 | — | — | (23,172) | — | (23,172) |
| Restated total equity as at 1st January 2018 | 23,456 | 759,464 | 96,187 | 12 | 21,648 | (171,977) | 109,995 | 45,441 | — | 950 | 45,760 | (142,564) | 747,140 | 4,615 | 1,540,127 |
| **Comprehensive loss** | | | | | | | | | | | | | | | |
| Loss for the period | — | — | — | — | — | — | — | — | — | — | — | — | (10,342) | (1,604) | (11,946) |
| **Other comprehensive income/(loss) for the period, net of tax** | | | | | | | | | | | | | | | |
| Fair value loss on financial assets at fair value through other comprehensive income | — | — | — | — | — | — | — | — | — | (234) | — | — | — | — | (234) |
| Currency translation differences | | | | | | | | | | | | | | | |
| — Group | — | — | — | — | — | (48,536) | — | — | — | — | — | — | — | 111 | (48,425) |
| — Associates | — | — | — | — | — | (691) | — | — | — | — | — | — | — | — | (691) |
| — Release of exchange reserve to profit or loss upon disposal of a subsidiary | — | — | — | — | — | 1,622 | — | — | — | — | — | — | — | — | 1,622 |
| Other comprehensive income/(loss) for the period, net of tax | — | — | — | — | — | (47,605) | — | — | — | (234) | — | — | — | 111 | (47,728) |
| **Total comprehensive loss for the period ended 30th June 2018** | — | — | — | — | — | (47,605) | — | — | — | (234) | — | — | (10,342) | (1,493) | (59,674) |

*FOR THE SIX MONTHS ENDED 30TH JUNE 2018*

| | Unaudited | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | | | | | |
| | Share capital US$'000 | Share premium US$'000 | Capital reserve US$'000 | Share redemption reserve US$'000 | Employee share-based compensation reserve US$'000 | Exchange reserve US$'000 | Reserve fund (Note (a)) US$'000 | Merger difference (Note (b)) US$'000 | Available-for-sale financial assets fair value reserve US$'000 | Financial assets at fair value through other comprehensive income fair value reserve US$'000 | Assets revaluation surplus US$'000 | Other Reserves (Note (c)) US$'000 | Retained profits US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
| **Total transactions with owners, recognized directly in equity** | | | | | | | | | | | | | | | |
| Employee share option scheme — Employee share-based compensation benefits | — | — | — | — | 852 | — | — | — | — | — | — | — | — | — | 852 |
| 2017 final dividends paid | — | — | — | — | — | — | — | — | — | — | — | — | (3,002) | — | (3,002) |
| **Total transactions with owners, recognized directly in equity** | — | — | — | — | 852 | — | — | — | — | — | — | — | (3,002) | — | (2,150) |
| Balance as at 30th June 2018 | 23,456 | 759,464 | 96,187 | 12 | 22,500 | (219,582) | 109,995 | 45,441 | — | 716 | 45,760 | (142,564) | 733,796 | 3,122 | 1,478,303 |

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 2018*

| | Unaudited | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | | | | |
| | Share capital US$'000 | Share premium US$'000 | Capital reserve US$'000 | Share redemption reserve US$'000 | Employee share-based compensation reserve US$'000 | Exchange reserve US$'000 | Reserve fund (Note (a)) US$'000 | Merger difference (Note (b)) US$'000 | Available-for-sale financial assets fair value reserve US$'000 | Assets revaluation surplus US$'000 | Other Reserves (Note (c)) US$'000 | Retained profits US$'000 | Non-controlling interests US$'000 | Total equity US$'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.

*FOR THE SIX MONTHS ENDED 30TH JUNE 2018*

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 where this is 30% of its registered capital, the subsidiaries will not be required to make any further appropriation. Pursuant to the relevant PRC regulations, this reserve can be used for offsetting losses and increase of capital.

(b) The merger difference of the Group was created as a result of: (a) acquisition of four common control entities acquired in 2015; and (b) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to a corporate reorganization (the "Reorganization"), which was completed on 21st September 1999, in preparation for a listing of the Company's shares on the Exchange, over the nominal value of the share capital of the Company issued in exchange thereof.

(c) Other reserves primarily arose from the acquisition of remaining 30% equity interest in TP Vision 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 2018*

| | Unaudited | |
|---|---|---|
| | Six months ended 30th June | |
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| **Cash flows from operating activities** | | |
| Net cash generated from/(used in) operations | **168,488** | (280,109) |
| Interest paid | **(20,670)** | (16,151) |
| Income tax paid | **(30,183)** | (22,128) |
| Net cash generated from/(used in) operating activities | **117,635** | (318,388) |
| **Cash flows from investing activities** | | |
| Proceeds from disposals of property, plant and equipment | **475** | 362 |
| Purchase of property, plant and equipment | **(81,216)** | (55,699) |
| Purchase of intangible assets | **(324)** | (344) |
| Proceeds from disposal of an associate and a joint venture | **—** | 5,363 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | **89** | — |
| Proceeds from disposal of financial assets at fair value through profit or loss | **15,865** | 26,087 |
| Purchase of financial assets at fair value through profit or loss | **(14,225)** | (17,628) |
| Changes in short-term bank deposits | **7,039** | (14,262) |
| Interest received | **5,255** | 4,017 |
| Net cash used in investing activities | **(67,042)** | (52,104) |
| **Cash flows from financing activities** | | |
| Repayment of long-term borrowings and loans | **—** | (127,803) |
| Net (repayment)/inception of short-term borrowings and loans | **(23,875)** | 67,434 |
| Net (payment)/proceeds of payables under discounting arrangements | **(57,966)** | 235,007 |
| Dividends paid to owners | **(3,002)** | (11,494) |
| Net cash (used in)/generated from financing activities | **(84,843)** | 163,144 |

# Condensed Consolidated Interim Statement of Cash Flows *(Continued)*

*FOR THE SIX MONTHS ENDED 30TH JUNE 2018*

| | Unaudited Six months ended 30th June | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| Net decrease in cash and cash equivalents | **(34,250)** | (207,348) |
| Cash and cash equivalents at beginning of the period | **450,393** | 601,280 |
| Exchange differences on cash and cash equivalents | **(6,882)** | 4,881 |
| Cash and cash equivalents at end of the period | **409,261** | 398,813 |

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 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").

## 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 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 4 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.

## 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 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.

## 4 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** US$'000 | **Effects of the adoption of HKFRS 9** US$'000 | **Effects of the adoption of HKFRS 15** US$'000 | **1st January 2018 Restated** US$'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 |

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (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 |

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (a) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

#### *(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 |

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (a) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

#### *(i) Classification and measurements (Continued)*

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

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (a) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

#### *(ii) Impairment of financial assets (Continued)*

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

*Critical accounting estimate and judgement*

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 other receivables, 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.

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (a) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

#### *(ii) Impairment of financial assets (Continued)*

*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.

To measure expected credit losses, the Group categorizes its trade receivables based in the nature of customer accounts and shared credit risk characteristics.

The loss allowance as at 1st January 2018 was determined as follows:

Category 1: Customers have a relatively lower credit risk with good settlement history

| | Current | 1–30 days past due | 31–60 days past due | 61–90 days past due | Over 90 days past due | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount (US$'000) | 1,751,435 | 65,740 | 27,237 | 2,543 | 3,422 | 1,850,377 |
| Loss allowance (US$'000) | (2,726) | (237) | (64) | (50) | (444) | (3,521) |

Category 2: Customers have a relatively higher credit risk with significant overdue receivables balance

| | Current | 1–30 days past due | 31–60 days past due | 61–90 days past due | Over 90 days past due | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount (US$'000) | 42,015 | 13,330 | 5,342 | 6,385 | 147,481 | 214,553 |
| Loss allowance (US$'000) | (10,048) | (4,139) | (710) | (2,207) | (82,276) | (99,380) |

The range of expected credit loss rate is 13%–50% for Current to 61-90 days past due, and 13%–100% for Over 90 days past due, respectively.

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (a) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

#### *(ii) Impairment of financial assets (Continued)*

*Trade receivables (Continued)*

Total

| | Current | 1–30 days past due | 31–60 days past due | 61–90 days past due | Over 90 days past due | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount (US$'000) | 1,793,450 | 79,070 | 32,579 | 8,928 | 150,903 | 2,064,930 |
| Loss allowance (US$'000) | (12,774) | (4,375) | (774) | (2,257) | (82,720) | (102,901) |

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

| | Trade receivables 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 |

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (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.

#### *(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.

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (b) HKFRS 9 Financial Instruments — Accounting policies (Continued)

#### *(ii) Measurement (Continued)*

*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 in 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. Impairment losses are presented in "administrative expenses". For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### (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:

| | | 2018 |
|---|---|---|
| | | 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.

## 4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

#### *(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.

## 5 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 4a(ii)).

## 6 FINANCIAL RISK MANAGEMENT

### 6.1 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 2017.

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

### 6.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of banking facilities. The Group aims to maintain 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 17) 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 cash equivalents balances of US$409,261,000 (31st December 2017: US$450,393,000), short-term bank deposits of US$22,256,000 (31st December 2017: US$29,295,000) and trade receivables of US$1,690,924,000 (31st December 2017: US$1,983,543,000) that are expected to generate cash inflows for managing liquidity risk.

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.3 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 2018 and 31st December 2017. Refer to Note 13 for disclosures of the investment properties that are measured at fair value.

| | As at 30th June 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **US$'000** | **US$'000** | **US$'000** | **US$'000** |
| **Assets** | | | | |
| Financial assets at fair value through other comprehensive income | **1,149** | — | **1,118** | **2,267** |
| Derivatives financial instruments | — | **117,250** | — | **117,250** |
| | **1,149** | **117,250** | **1,118** | **119,517** |
| **Liabilities** | | | | |
| Derivatives financial instruments | — | **(76,203)** | — | **(76,203)** |
| Other payable — contingent consideration payable | — | — | **(2,620)** | **(2,620)** |
| | — | **(76,203)** | **(2,620)** | **(78,823)** |

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.3 Fair value estimation (Continued)

| | As at 31st December 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| **Assets** | | | | |
| Available-for-sale financial assets | 1,409 | — | 1,759 | 3,168 |
| Financial assets at fair value through profit or loss | — | — | 21,517 | 21,517 |
| Derivatives financial instruments | — | 35,359 | — | 35,359 |
| | 1,409 | 35,359 | 23,276 | 60,044 |
| **Liabilities** | | | | |
| Derivatives financial instruments | — | (48,007) | — | (48,007) |
| Other payable — contingent consideration payable | — | — | (5,994) | (5,994) |
| | — | (48,007) | (5,994) | (54,001) |

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.

### 6.4 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.

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.5 Fair value measurements using significant unobservable inputs (Level 3)

| | Available-for-sale financial assets Note (i) US$'000 | Financial assets at fair value through other comprehensive income Note (i) US$'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 ended 30th June 2018** | | | | |
| Opening balance | **1,759** | **—** | **21,517** | **(5,994)** |
| Re-classification to financial assets at fair value through other comprehensive income | **(1,759)** | **1,759** | **—** | **—** |
| Fair value (loss)/gain | **—** | **(1)** | **—** | **3,600** |
| Disposals | **—** | **(89)** | **(21,517)** | **—** |
| Unwinding of interests (Note 9) | **—** | **—** | **—** | **(226)** |
| Exchange differences | **—** | **(551)** | **—** | **—** |
| Closing balance | **—** | **1,118** | **—** | **(2,620)** |
| **Six months period ended 30th June 2017** | | | | |
| Opening balance | 3,737 | — | 20,144 | (2,889) |
| Fair value gain/(loss) | 1 | — | — | (2,323) |
| Unwinding of interests (Note 9) | — | — | — | (391) |
| Exchange differences | (126) | — | 538 | — |
| Closing balance | 3,612 | — | 20,682 | (5,603) |

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Notes:

(i) The majority of financial assets at fair value through other comprehensive income or 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 14.

(iii) The valuation of contingent consideration payable is primarily based on the projected revenue from TP Vision Group and the adjusted operating profits of the Group's TVs segment. The key assumptions adopted in the long term projections include 3.0% to 6.0% sales growth for the next five years, a perpetual growth not exceeding 3.0% beyond the fifth year and a discount rate of 15.0%. Other key assumptions applied in the valuation include the expected improvement in gross profit margin and reduction in costs. Management determined these key assumptions based on their experience in the industry and expectations on market development. If the future earnings before interest and tax ("EBIT"), revenue or gross margin increased with all other variables held constant, the contingent consideration would have been increased.

### 6.6 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.

## 6 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.7 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 2018 approximate their carrying amounts due to their short maturities.

The fair values of borrowings (including bank overdraft and bank borrowings) as at 30th June 2018 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

## 7 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.

## 7 SEGMENT INFORMATION (CONTINUED)

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 US$'000** | **TVs US$'000** | **Others US$'000** | **Total US$'000** |
| Revenue | | | | |
| Timing of revenue recognition | | | | |
| — At a point in time | **2,455,766** | **1,848,820** | **177,552** | **4,482,138** |
| — Over time | **13,930** | **14,929** | **604** | **29,463** |
| | **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)** |

## 7 SEGMENT INFORMATION (CONTINUED)

| | For the six months ended 30th June 2017 | | | |
|---|---|---|---|---|
| | Monitors<br>US$'000 | TVs<br>US$'000 | Others<br>US$'000 | Total<br>US$'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**<br>**US$'000** | **TVs**<br>**US$'000** | **Others**<br>**US$'000** | **Total**<br>**US$'000** |
| Segment assets | **2,262,416** | **2,017,692** | **145,706** | **4,425,814** |

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

## 7 SEGMENT INFORMATION (CONTINUED)

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 |

## 7 SEGMENT INFORMATION (CONTINUED)

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 |

## 7 SEGMENT INFORMATION (CONTINUED)

The analysis of revenue by geographical area is as follows:

| | Six months ended 30th June | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'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 |

## 8 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 (Note 13) | **(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 13) | **(32,774)** | (28,280) |
| Amortization of land use rights (Note 13) | **(249)** | (247) |
| Depreciation of property, plant and equipment (Note 13) | **(61,397)** | (56,493) |
| Provision for impairment of trade receivables | **(1,628)** | (12,463) |
| Charge for warranty provision (Note 19) | **(60,268)** | (69,520) |
| Provision for restructuring and other provisions (Note 19) | **(1,084)** | (767) |

## 9 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) |

## 10 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) |

## 11 (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 cent 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.

## 12 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).

## 13 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 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 8) | **(32,774)** | **(61,397)** | **(249)** | **—** |
| Closing net book amount at 30th June 2018 | **583,980** | **481,273** | **17,575** | **236,856** |

| | 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 8) | (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.

## 13 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 2018 US$'000** | As at 31st December 2017 US$'000 |
|---|---|---|
| Recurring fair value measurements | | |
| Investment properties: | | |
| — Industrial buildings — the PRC | **135,665** | 135,665 |
| — Industrial building — Poland | **8,939** | 8,939 |
| — Office and commercial building — the PRC | **92,252** | 93,684 |
| | **236,856** | 238,288 |

The valuation of industrial buildings and commercial building in the PRC and Poland was determined using the sale comparison approach. Recent selling 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.

## 14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **As at 30th June 2018 US$'000** | As at 31st December 2017 US$'000 |
|---|---|---|
| **Current** | | |
| Unlisted securities, at market value: | | |
| — Equity securities — The PRC (Note) | — | 21,517 |

Note:

On 14th May 2018, Top Victory Investments Limited ("TVI"), a wholly-owned subsidiary of the Group, exercised the put option to require Nanjing Electronics Information Industrial Corporation("CEC Panda"), one of the subsidiaries of China Electronics Corporations ("CEC"), to purchase the 0.8% equity interests in Nanjing JV held by a subsidiary at a consideration of RMB164,400,000 (equivalent to approximately US$24,863,000), resulting in a gain of US$3,346,000.

The exercise of the Put Option constituted a related party transaction with CEC and its subsidiaries and is accordingly disclosed in Note 22.

## 15 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **As at 30th June 2018 US$'000** | As at 31st December 2017 US$'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.

## 15 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

| | **As at 30th June 2018 US$'000** | As at 31st December 2017 US$'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 |

## 16 SHARE CAPITAL

| | As at 30th June 2018 US$'000 | As at 31st December 2017 US$'000 |
|---|---|---|
| Authorized: | | |
| 4,000,000,000 (2017: 4,000,000,000) ordinary shares of US$0.01 each | **40,000** | 40,000 |
| Issued and fully paid: | | |
| 2,345,636,139 (2017: 2,345,636,139) ordinary shares of US$0.01 each | **23,456** | 23,456 |

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.

## 16 SHARE CAPITAL (CONTINUED)

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

| | Expiry date | Exercise price in HK$ per share option | Number of share options (thousands) As at 1st January 2018 | Lapsed during the period | As at 30th June 2018 |
|---|---|---|---|---|---|
| 2011 Scheme | 17th January 2021 | HK$5.008 | 21,170 | (200) | 20,970 |
| 2017 Scheme | 1st November 2025 | HK$1.770 | 45,000 | — | 45,000 |
| | | | 66,170 | (200) | 65,970 |

For the six months ended 30th June 2018, 200,000 share options (six months ended 30th June 2017: 200,000) were lapsed as a result of the cessation of employment of certain employees.

## 17 BORROWINGS

| | As at 30th June 2018 US$'000 | As at 31st December 2017 US$'000 |
|---|---|---|
| **Non-current** | | |
| Bank borrowings | **480,649** | 484,772 |
| **Current** | | |
| Bank overdraft | **11,402** | 6,843 |
| Bank borrowings | **61,049** | 90,225 |
| | **72,451** | 97,068 |
| **Total borrowings** | **553,100** | 581,840 |

## 17 BORROWINGS (CONTINUED)

Movements in borrowings are analyzed as follows:

| | Six months ended 30th June | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| As at 1st January | **581,840** | 535,238 |
| Net (repayment)/inception of short-term borrowings and loans | **(23,875)** | 67,434 |
| Repayment of long-term borrowings and loans | **—** | (127,803) |
| Exchange differences | **(4,865)** | 1,383 |
| As at 30th June | **553,100** | 476,252 |

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

| | **As at 30th June 2018** | As at 31st December 2017 |
|---|---|---|
| | **US$'000** | US$'000 |
| Total available and undrawn facilities | **2,414,869** | 2,462,316 |

## 18 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 (Note) | **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 |

## 18 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Note:

The Group has recognized the contingent consideration payable at fair value based upon the terms as stipulated in the Sale and Purchase Agreement and the supplementary agreements with reference to the projected revenue of TP Vision Group and the adjusted operating profits of Group's TVs segment. The contingent consideration payable shall be re-measured at fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognized in the condensed consolidated income statement.

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 |

## 19 PROVISIONS

| | Six months ended 30th June | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | | | | 2017 | | | |
| | **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 | **193,565** | **5,866** | **5,606** | **205,037** | 177,487 | 8,836 | 4,042 | 190,365 |
| Exchange differences | **(5,989)** | **(110)** | **(214)** | **(6,313)** | 3,100 | 364 | 354 | 3,818 |
| Charged to the income statement (Note 8) | **60,268** | **957** | **127** | **61,352** | 69,520 | 326 | 441 | 70,287 |
| Utilized during the period | **(60,510)** | **(1,526)** | **(1,025)** | **(63,061)** | (74,342) | (4,392) | (8) | (78,742) |
| As at 30th June | **187,334** | **5,187** | **4,494** | **197,015** | 175,765 | 5,134 | 4,829 | 185,728 |

Analysis of warranty and other provisions:

| | **As at 30th June 2018** | | | | As at 31st December 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **—** | **—** | **1,410** | **1,410** | — | — | 1,517 | 1,517 |
| Current liabilities | **187,334** | **5,187** | **3,084** | **195,605** | 193,565 | 5,866 | 4,089 | 203,520 |
| Total | **187,334** | **5,187** | **4,494** | **197,015** | 193,565 | 5,866 | 5,606 | 205,037 |

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 2018 and 31st December 2017 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.

## 20 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.

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

## 21 COMMITMENTS (CONTINUED)

### (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 US$'000** | As at 31st December 2017 US$'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 US$'000** | As at 31st December 2017 US$'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 |

## 22 RELATED PARTY TRANSACTIONS

As at 30th June 2018, 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.

### (a) Significant transactions with related parties

During the six months ended 30th June 2018 and 2017, 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** | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| Sales of goods to associates | **94,464** | 120,587 |
| Sales of goods to CEC and its subsidiaries | **265** | 136 |
| Sale of a financial asset at fair value through profit or loss to CEC and its subsidiaries | **24,863** | — |
| Purchases of goods and services from associates | **(54,264)** | (56,893) |
| Purchases of goods and services from CEC and its subsidiaries | **(105,179)** | (66,838) |
| Purchases of goods from Innolux and its subsidiaries | **(112,708)** | (140,434) |
| Rental income from associates | **1,055** | 968 |
| Reimbursement of warranty cost from an associate | **725** | 1,427 |
| Interest income from CEC and its subsidiaries | **11** | — |
| Royalty paid to CEC and its subsidiaries | **(36)** | (114) |
| Rental expense to CEC and its subsidiaries | **(188)** | (137) |

## 22 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 | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| Salaries and other short-term employee benefits | **1,030** | 1,291 |
| Share-based payments | **26** | 37 |
| | **1,056** | 1,328 |

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

| | **As at 30th June 2018** | As at 31st December 2017 |
|---|---|---|
| | **US$'000** | US$'000 |
| Receivables from associates (Note (i)) | **78,025** | 89,043 |
| Receivables from substantial shareholders and their subsidiaries (Note (i)) | | |
| — CEC and its subsidiaries | **24,874** | 621 |
| Cash placed in substantial shareholders and their subsidiaries (Note (ii)) | | |
| — CEC and its subsidiaries | **28,729** | — |
| Payables to associates (Note (iii)) | **26,397** | 25,434 |
| Payables to substantial shareholders and their subsidiaries (Note (iii)) | | |
| — CEC and its subsidiaries | **32,237** | 47,372 |
| — Innolux and its subsidiaries | **36,076** | 32,492 |
| | **68,313** | 79,864 |

## 22 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

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

(ii) On 30th October 2017, the Company entered into a Financial Services Agreement (the "Agreement") with China Electronics Financial Company ("CEC Finance"), a subsidiary of CEC, which would provide a range of financial services, including cash management services, to the Group for a terms of three years commencing on 1st January 2018 to 31st December 2020.

RMB190,000,000 (equivalent to USD28,729,000) was placed in CEC Finance which is a non-pledged, short-term time deposit with an interest of 1.8% per annum as at 30th June 2018 under cash and cash equivalents.

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

## 23 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Argentina is considered as a hyper-inflationary economy starting from accounting periods ending July 2018 under HKAS 29 "Financial Reporting in Hyperinflationary Economies" which requires financial statements of an entity whose functional currency of a hyper-inflationary country to be stated into the current purchasing power at the end of the reporting period.

The directors of the Company are in the process of accessing the financial impacts.

## 24 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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