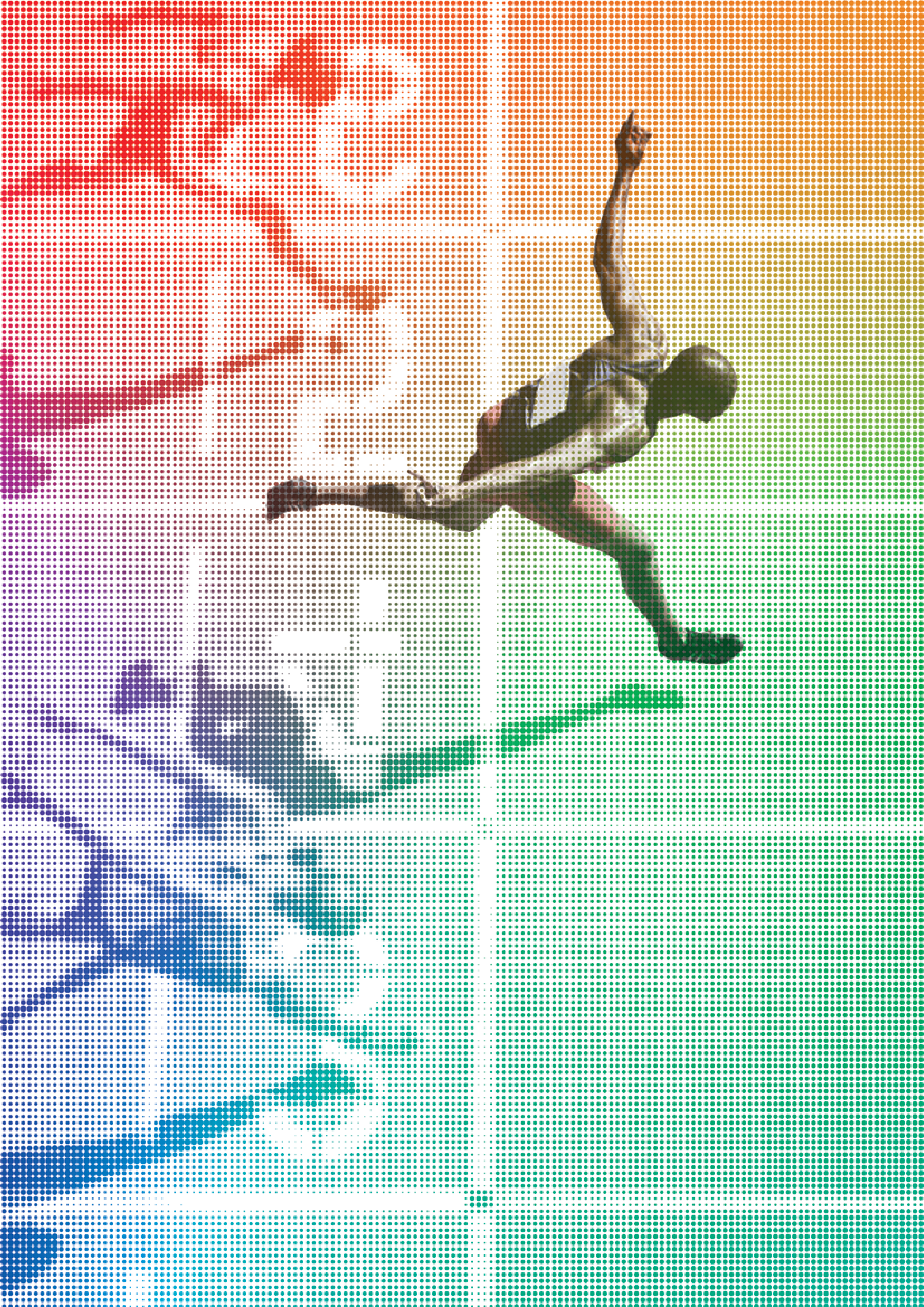
ANNUAL REPORT 2018

POWERING EXCELLENCE

TPV TECHNOLOGY LIMITED 冠 捷 科 技 有 限 公 司 (Incorporated in Bermuda with limited liability)

BUILDING RESILIENCE
POWERING EXCELLENCE



CORPORATE INFORMATION

DIRECTORS

Executive Director

Dr Hsuan, Jason
(Chairman and Chief Executive Officer)

Non-executive Directors

Mr Zhang Dongchen
Mr Xu Guofei
Mr Sun Jie
Dr Li Jun
Ms Bi Xianghui

Independent Non-executive Directors

Mr Chan Boon Teong
Dr Ku Chia-Tai
Mr Wong Chi Keung

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG OFFICE

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

LEGAL ADVISORS

Appleby
Kirkland & Ellis International LLP

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Australia and New Zealand Banking Group Limited
Bank of China Limited
Bank SinoPac
China Construction Bank Corporation
Credit Agricole Corporate and Investment Bank
CTBC Bank Co., Ltd.
Industrial and Commercial Bank of China Limited
JPMorgan Chase Bank, N.A.
The Hongkong and Shanghai Banking Corporation Limited

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPANY SECRETARY

Ms Lee Wa Ying

PRINCIPAL SHARE REGISTRAR

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

SINGAPORE SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32–01 Singapore Land Tower
Singapore 048623

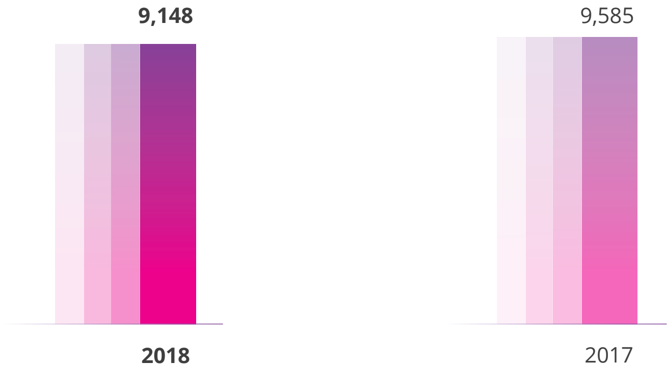
COMPANY WEBSITE

www.tpv-tech.com

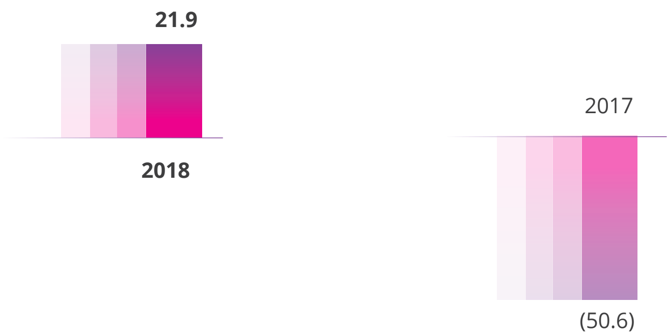
CONTENTS

FINANCIAL HIGHLIGHTS

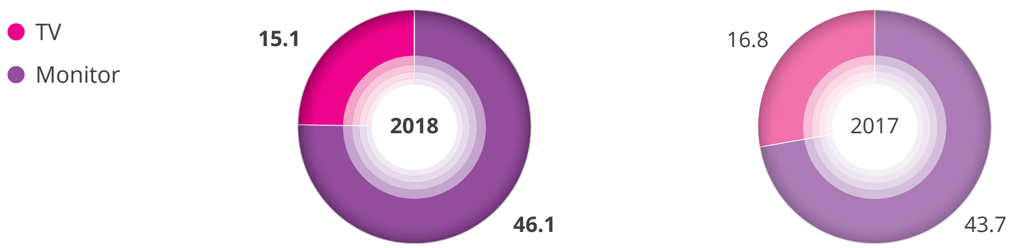
CONSOLIDATED REVENUE (US$ MILLION)



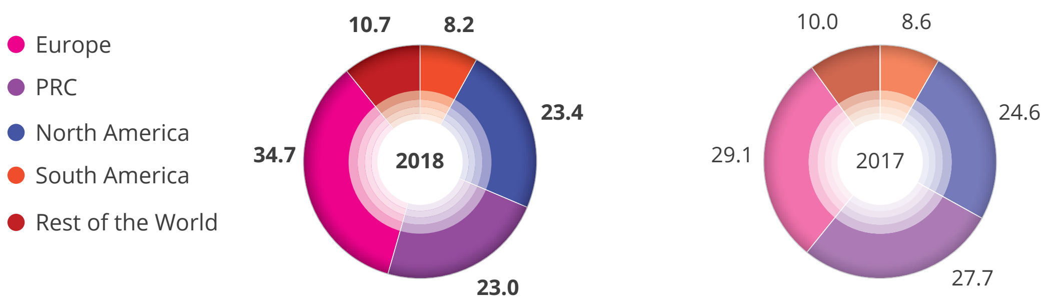
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (US$ MILLION)



SHIPMENT BY PRODUCT (MILLION UNITS)



REVENUE BY GEOGRAPHIC REGIONS (%)



	2018	2017	2016	2015	2014
OPERATING RESULTS (US$'000)					
Consolidated revenue	**9,147,635**	9,584,710	9,808,337	11,061,525	11,908,077
Profit/(Loss) attributable to owners of the Company	**21,913**	(50,614)	38,523	(31,337)	(5,460)
Basic earnings/(loss) per share (US cents)	**0.93**	(2.16)	1.64	(1.34)	(0.23)
Dividends per share (US cents)	**0.28**	0.128	0.49	0.128	0.128

	2018	2017	2016	2015	2014
FINANCIAL POSITION (US$'000)					
Total assets	**5,054,909**	5,564,397	5,787,819	5,931,579	6,453,138
Cash and bank balances	**317,924**	480,593	630,010	453,625	506,213
Total borrowings and loans	**382,469**	581,840	535,238	587,046	488,520
Equity attributable to owners of the Company	**1,530,746**	1,558,684	1,669,055	1,623,577	1,672,581

	2018	2017	2016	2015	2014
KEY FINANCIAL RATIOS					
Inventory turnover (days)	**56.8**	56.0	54.4	48.9	47.1
Trade receivables turnover (days)	**71.9**	72.9	73.4	70.2	68.2
Trade payables turnover (days)	**84.1**	86.9	89.2	84.8	82.6
Return on equity (%)	**1.43**	n/a	2.3	n/a	n/a
Return on assets (%)	**0.43**	n/a	0.7	n/a	n/a
Current ratio (%)	**120.1**	122.7	120.9	117.7	109.2
Gearing ratio* (%)	**11.9**	15.2	14.5	16.0	15.6
Interest coverage (times)	**2.47**	n/a	3.6	1.1	0.8
Dividend payout ratio (%)	**30.0**	n/a	29.8	n/a	n/a

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

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

It is my pleasure to report that the Group's financial performance bounced back in 2018, compared with last year. This was despite global uncertainties and US-China trade tensions, with the latter aggravating an already slowing China market. Additionally, economic growth in some emerging markets — in particular, South America — was under pressure over the past year, leading to significant currency depreciation in countries including Brazil and Argentina. These challenges notwithstanding, I am delighted to note that the Group recorded a profit of US$21.9 million for fiscal 2018.

Panel prices remained on a downtrend throughout the year. Monitor panel prices were more stable, ending around 5 percent lower by year end, while TV panel prices ended 10 to 20 percent lower. Our inventory control, meanwhile, showed substantial improvements, with little provision required over the year. The low price environment gave us the opportunity to sell more large-size displays measuring 50 inches and above, lifting the Group's overall profit margin.

Our TV business faced strong headwinds in 2018. Under the no-growth market demand environment, competition intensified and both our ODM and OBM businesses were affected, particularly in China where we saw irrational price cuts from our competitors. In addition, the management was cautious about the increasing risk in Argentina's economy and despite the country historically being one of the key and profitable markets for our TV business, we decided to scale back our business there starting in the second quarter. Furthermore, the geo-political conflict between the US and Turkey leading to the sharp devaluation of local currency also affected our business negatively. As a result, the Group's TV shipment and revenue were lower than a year ago. Despite all these adversities, the business recorded improvement with loss at operating level reducing significantly by 74 percent over the previous year, showing that our operation has been strengthening and is moving on the right direction.

Moreover, I am happy to share that Philips TV showed excellent performance in Europe during the year. New models, including OLED TVs, were well received by the market and achieved high acclaim, both professionally and in consumer surveys. The OLED models we launched during the year won more than 43 awards. Also, we formed a partnership with an expert in the audio world to create outstanding products that set a new reference for visual and audio performance standards in the TV market.

Our monitor business continued to deliver in 2018, with increases in shipments and revenues and stable profit margins. Backed by strong ODM orders, our shipments went up around 5 percent on the previous year, against a 3 percent growth in the market, and led to additional market share gain, ending the year at 36 percent (2017: 35 percent) in terms of manufacturing volume. It proved that our pursuit of quality has won the trust of customers. In addition, we also continued our penetration of the specialty monitor market in 2018, and added new customers in the gaming monitor sector. Additionally, we integrated a self-developed content management system into our B2B professional displays in China, creating greater value for our customers.

Looking ahead to the rest of 2019, we expect the global economy to continue to be affected by challenges and uncertainties. At present, the US-China trade conflict remains unresolved, economies are slowing down in Europe as well as in developing markets, and we are experiencing a rising interest rate environment. To maintain and enhance the Group's competitiveness in the face of these developments, we will keep our efforts on cost tightening and the strengthening of supply chain management. Working capital management is also a high priority, enabling us to meet our goal of preserving liquidity while minimising borrowings.

In terms of our TV products, we will continue to roll out models in OLED technology equipped with the 3rd generation of proprietary P5 processor, new products in 8K picture quality and enhanced smart voice features. We will also concentrate attention on audio performance, cognisant of the fact that picture and sound come together to create the best user experience. Our collaboration with a well-known audio brand and the new license to distribute Philips audio and video products will provide a significant boost in this regard. As for our monitor business, we will defend and leverage our position in the year ahead, with a view to increasing our influence by continuing to explore and penetrate the specialty display sector. I am confident that we remain well placed for sustained growth.

APPRECIATION

As always, I am profoundly grateful for the support of our shareholders, customers, partners and employees. I would also like to thank our board of directors for their valuable guidance over the year. The board saw several changes in its composition in 2018 up to the date of this report. My special thanks go to Mr Yang Jun, Mr Zhu Lifeng and Ms Jia Haiying, who resigned from the non-executive director post in 2018 and 2019. I would also like to extend a warm welcome to Mr Zhang Dongchen, Mr Xu Guofei and Mr Sun Jie, who join us as new board members. Looking ahead to the future, I feel confident of our continued success in 2019 and beyond. Our team members' commitment to excellence and innovation will shine a path for us, even in a challenging business environment. I cannot help but be inspired by our colleagues' resourcefulness, talent and imagination, all of which leave us well placed to take advantage of each new opportunity.

Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 15th March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

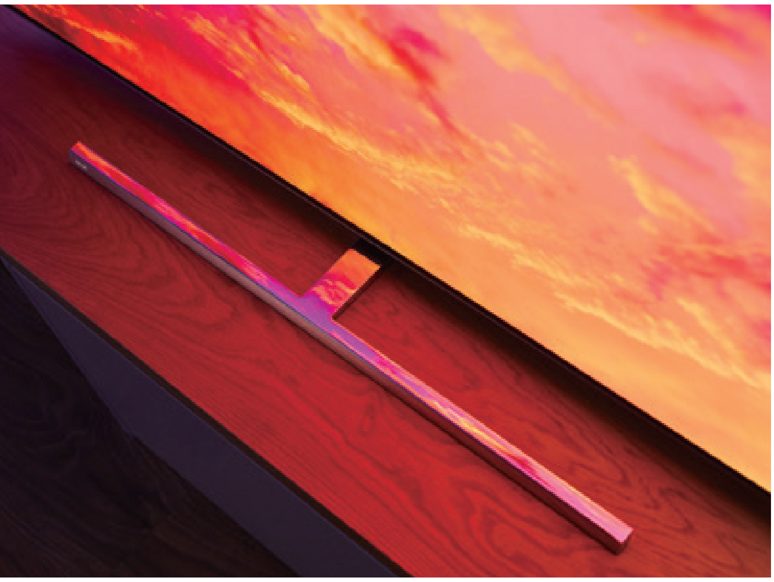
INDUSTRY OVERVIEW

The display industry faced significant headwinds in 2018. The ongoing China-USA trade dispute added pressure to the already challenging economic environment in China. Conditions were also less than sanguine in many parts of the world, with some emerging markets experiencing currency meltdown, and geopolitical instability.

On the supply side, panel prices came down throughout the year as a result of new capacity ramped up and subdued market demand. According to research by iHS Markit, global TV shipments amounted to 218 million sets in 2018, compared with 214 million sets in 2017. The growth was due mainly to the shipment of 50-inches and above segment which posted an increase of about 22 percent year-on-year. Global monitor shipments held steady at 126 million sets, representing about 3 percent increase over the previous year, fuelled at least in part by a rush to stockpile goods in order to avoid potentially higher tariffs on products destined for the US market.

GROUP PERFORMANCE

Notwithstanding the prevailing market conditions, the Group continued to improve and strengthen its operations during the year under review, and achieved great results, reporting net profit attributable to shareholders of US$21.9 million for the year ended 31st December 2018 (2017: loss of US$50.6 million). This was as a result of an improvement in gross profit ("GP") margin (2018: 9.2 percent, 2017: 8.2 percent) attributable to strategic adjustment to product mix, drop in the cost of key components, and savings on warranty costs, coupled with a strengthened operating structure that saw operating expenses reduced by 6.2 percent year-on-year (or US$49.3 million). These results were achieved despite realizing slightly lower consolidated revenue (2018: US$9.15 billion, 2017: US$9.59 billion), the adverse impact of the collapse of some emerging market currencies, such as the Argentine peso, Turkish lira, and Brazilian real, on local operating performances, and incurring some exceptional one-off charges such as US$12.9 million following the application of HKAS 29: Financial Reporting in Hyperinflationary Economies for its investment in Argentina, US$25.2 million impairment losses on financial assets (doubtful debt) and US$20.6 million impairment for TV trademark and certain intangible assets for phone and tablet business.



Geographically, Europe was the Group's largest market, attributable to accelerating monitor shipments and higher average selling price ("ASP") for TVs. Revenue from Europe recorded a 13.7 percent growth compared to the same period last year and accounted for 34.7 percent of the total (2017: 29.1 percent). Turnover from China, negatively affected by slow demand and stiff market competition, fell by 20.6 percent year-on-year to account for 23 percent of the consolidated revenue (2017: 27.7 percent), in line with North America which contributed 23.4 percent (2017: 24.6 percent). Sales in South America came down by 9.5 percent as a result of lower exchange rates, accounting for 8.2 percent (2017: 8.6 percent), and the rest of the world accounted for 10.7 percent of the Group's total revenue (2017: 10 percent).

Operationally, the Group entered into a new licence agreement with Philips in the first half of the year, 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.

TVs

During the year under review, the TV business segment continued to face strong challenges and keen competition, more prominently in China, which is an important market for the Group's TV business, and currently undergoing an economic deceleration aggravated by the added pressure of the ongoing trade dispute with USA. This has adversely affected the Group's total shipments, leading to a decline of 10.2 percent year on year (2018: 15.1 million sets, 2017: 16.8 million sets). Segment revenue also declined by 13.8 percent to 2018: US$3.65 billion (2017: US$4.23 billion) under a lower ASP of US$241.50 (2017: US$251.70), mainly as a reflection of the lower cost of panels during the year. Despite these, the segment's GP margin improved to 11.5 percent compared with last year's 7.9 percent, primarily attributable to strategically aligned product mix and more optimised warranty costs. These were coupled with tighter cost controls, producing a significant improvement in segment performance, and an adjusted operating loss of US$50.9 million (2017: loss of US$195.1 million). The operating loss was inclusive of an additional US$9 million impairment charge for TV trademark and US$25.2 million provision that the Group has made for its receivables from its over-the-top TV customers in the PRC. Although the Group has now provided in full for most of these customers, management will continue to pursue payment for outstanding debts and is confident that some of these amounts may be recovered in the future.

Europe has been the Group's largest market for TV business for years. The performance of Philips TV in Europe was particularly encouraging in 2018. Although the volume shipped was approximately the same as the previous year, the change in the product mix which saw shipment of 50-inches and above TVs increase 60 percent year-on-year, underpinning the success of the Group's strategy to focus on large screens. Moreover, those new models launched during the year received wide market support. These factors not only strengthened the Group's position in the market, they also helped lift the profit margin. Furthermore, the Group received several awards for the newly launched models at trade shows and in consumer tests for superb picture and sound quality, in turn enhancing brand value.

The Group's shipments to China were hit by macro-economic challenges and intense competition from some other brands, who have been reducing their prices significantly to increase their market share. As a result, total shipments to the China market declined by about 30 percent in the year. The Group's profit margin was also pressured by lower price offers on online platforms. In response to this, the Group reviewed its product offerings and pricing strategy to maintain competitivity and shipments stabilized by the end of the year. Furthermore, the ODM business came under pressure as the Group's customers slowed their shipments in the face of stiff

market competition. Despite this, the Group maintained its position as a reliable ODM TV manufacturer and raised its supply share for some of its customers. Moreover, the Group continued to diversify its customer base by adding new clients in different geographies.

Monitors

The Group's monitor business achieved good results in 2018, despite the surrounding uncertainties. Shipments and revenue showed an increase and GP margin remained stable year on year. The Group shipped 46.1 million units of monitors during the year, representing an increase of about 5.4 percent over the same period last year, attributable to the strength of the Group's ODM business in Europe and North America. Segment revenue also increased by 4.3 percent to US$5.08 billion (2017: US$4.87 billion) on a stable ASP of US$110.20 (2017: US$111.40). Size migration and changes in product mix helped to bolster selling prices as well as neutralise the effects of declining key component prices. Shipment of 24-inches and above accounted for 43.8 percent of total (2017: 36 percent) and the weighted average size of our shipment was 23.3-inches in 2018, compared to 22.9-inches in 2017. The segment GP margin held up at 8.1 percent (2017: 8.3 percent) resulting in an adjusted OP amounting to US$184.1 million, representing about 8 percent increase over the previous year (2017: US$170.6 million).

In addition, during the year, the Group earned accreditation from its long-term customers who are international top PC brands as a reliable supplier offering superb quality. Not only did this strengthen our relationship with the customers, it also further solidified the Group's leading position in the sector, helping us to gain additional market share. In 2018, the Group's manufacturing volume accounted for 36.2 percent of global manufacturing volume (2017: 35 percent).

MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, the Group continued to penetrate the specialty monitor segment. Shipments of gaming monitors amounted about half a million units, doubled since the launch of the business in 2017.

Operations Review

There were a few significant developments of the Group's operation in the reviewing year. One was the completion of the Group's new manufacturing base in Xianyang, in Shaanxi province in the PRC. The plant is located next to a 8.6G panel factory partly owned by China Electronics Corporation, and is designed to produce TVs of 50-inches and above, and has an annual capacity of 4 million sets.

In addition, the Group is also dedicated to enhance its production capability by means of knowledge transfer. During the year, the Group encountered a volume bottleneck in the face of stronger-than-expected order flows for monitor production. Production of some high-end models was immediately relocated from Fuqing to the Wuhan site. The rapid transfer required additional equipment as well as knowledge transfer, with engineers, workers and management brought quickly up to speed. The Wuhan team successfully met the challenges, completing all orders on time and to the highest quality.

During the year, the Group continued to focus on automation and invested a total of around US$11 million to energise its monitor and TV production lines. For example, in the Fuqing factory, the manual insertion of PCB ("printed circuit board") was integrated with SMT ("surface-mount technology") production, removing the need for wave soldering. The production process was also streamlined, bringing greater efficiencies and keeping costs down.

Furthermore, the Group reorganized the customer service structure in China, bringing greater resource efficiency without compromising on the service quality delivered to end customers. Three repair centres were closed, and partnerships were formed with reputable technical-support suppliers in strategic locations. By the end of 2018, there were eight repair centres directly owned by the Group. Moreover, the Group made use of online platforms to provide instant technical support services which proved to be more efficient and appreciated by consumers.

Raw material and finished goods inventory control are equally important to the Group's success. Having the SIT (stock-in-transfer) system in place last year, the Group has pioneered the panel tracking system in 2018 according to its production process and requirements, which tracked the price, movement, location and life cycle status of every piece of panel purchased, in real time. The new system gives management and business teams a full and accurate picture of panel stock, flow and costings, helping them to adjust the business and procurement plans. Having been launched at the Xiamen factory in 2018, the system will be adopted across the Group's manufacturing bases in China in 2019, and overseas in 2020.

Another key development was the addition of a new business for distributing Philips' brand audio and video products worldwide starting from June 2018. The new trademark license agreement supplements the existing licensing arrangements related to TVs, mobile phones, tablets and monitors, enabling the Group to broaden its product portfolio and increase its competitiveness across all consumer electronics segments. The relevant business unit has been making steady progress since inception.

Innovation and Development

The Group is dedicated to both innovation and development as they are key to remaining competitive in today's dynamic market. During the year under review, our products received multiple accreditations for their innovative designs, features, and superb picture and sound quality, including from the iF Design Awards, Red Dot Award, Computex d&I Awards and the European Imaging and Sound Association (EISA). These accomplishments were due to the Group's engineering teams, located in different factories and I&D centers in Taiwan, the PRC and India.

In addition, the OLED TVs launched in Europe were a great success, being recommended by industry experts and triumphing in consumer user experience contests. In 2019, the Group will continue to roll out more OLED models, adopting the latest generation of self-proprietary P5 processor and in collaboration with renowned brands in sound and picture quality.

Human Resources

The Group's total workforce at the end of 2018 comprised 27,811 individuals (2017: 29,014). In keeping with the Group's standards, employees were compensated according to the industry practices in their respective countries. To promote the professional development of its staff, the Group provided soft-skills and technical training throughout the year. An e-learning platform was also launched in 2018 providing an additional channel for training. The Group also emphasises the importance of a healthy work-life balance, and organised a range of activities in 2018 designed to strengthen team spirit and encourage physical fitness among employees.

Liquidity, Financial Resources, and Capital Structure

As at 31st December 2018, the Group's cash and bank balances (including pledged bank deposits) totalled US$317.9 million (2017: US$480.6 million). Credit facilities granted by banks totalled US$3.90 billion (2017: US$4.50 billion), of which US$1.72 billion was utilised (2017: US$2.04 billion).

The majority of the Group's debts were borrowed on a floating-rate basis. Of these, approximately 63 percent were denominated in US and Hong Kong dollars, while the remainder was held in Euros and other local currencies. The maturity profile of the Group's debts as at 31st December 2018 was as follows:

	As at 31st December 2018 (US$'000)	As at 31st December 2017 (US$'000)
Within one year	**26,738**	97,068
Between one and two years	**355,731**	123,135
Between two and five years	**—**	361,637
Total	**382,469**	581,840

As at 31st December 2018, the Group's gearing ratio, which is represented by the ratio of total borrowings and payables under a discounting arrangement of total assets, was 11.9 percent (2017: 15.2 percent). The current ratio is 120.1 percent (2017: 122.7 percent).

Foreign Exchange Risk

The Group is subject to foreign exchange risk related to exposures to various currencies, primarily in relation to the renminbi, Brazilian real, Argentine peso, the euro and Russia ruble. Future commercial transactions, recognized assets and liabilities, and net investments in foreign operations all entail foreign currency risk. In addition, the conversion of some of these foreign currencies is subject to exchange control rules and regulations enforced by the respective governments. To cope with these challenges, the Group has a standing foreign exchange risk management policy and relies on forward contracts and various derivative financial instruments to mitigate associated risks. Details of these risks are set out in Notes 3.1(a)(i) and 35 to the consolidated financial statements.

REPORT OF THE DIRECTORS

The directors submit their annual report together with the audited consolidated financial statements for the year ended 31st December 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 19 to the consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 67.

PROPOSED FINAL DIVIDEND

The directors recommend the payment of a final dividend of US0.28 cent per ordinary share, totaling approximately US$6,568,000 for the year ended 31st December 2018.

The proposed final dividend is payable in cash to shareholders in US dollars save that those shareholders whose names appearing on the register of members of the Company in Hong Kong will receive the equivalent amount in HK dollars and those shareholders whose names appearing on the record of members of the Company in Singapore will receive the equivalent amount in Singapore dollars, both calculated at the relevant exchange rates quoted by banks in Hong Kong at or about 11:00 a.m. on Friday, 24th May 2019.

The dividend cheques will be distributed to shareholders on or about Tuesday, 4th June 2019.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Thursday, 23rd May 2019 to Friday, 24th May 2019, during which period no transfer of shares will be registered.

In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 22nd May 2019 or the Company's share transfer office in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32–01 Singapore Land Tower, Singapore 048623, not later than 5:00 p.m. on Wednesday, 22nd May 2019 (as the case may be).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 29 and Note 41 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in Note 18 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$288,580.

PENSION

Details of the pension are set out in Note 32 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 27 to the consolidated financial statements.

SHARE OPTION

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

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

The principal terms of the Option Scheme are summarized below:

(1) Participants of the Option Scheme

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

(2) Total number of shares available for issue

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

(3) Maximum entitlement of each participant

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

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

(4) Payment on acceptance of options

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

(5) Time of exercise of options

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

SHARE OPTION (CONTINUED)

(6) Basis of determining the subscription price

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

(7) Remaining life of the Option Scheme

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

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

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1st January 2018	Exercised	Lapsed	As at 31st December 2018
Director							
Dr Hsuan, Jason	18/01/2011	5.008	18/01/2012–17/01/2021	150,000	—	—	150,000
		(Note)	18/01/2013–17/01/2021	150,000	—	—	150,000
			18/01/2014–17/01/2021	150,000	—	—	150,000
			18/01/2015–17/01/2021	150,000	—	—	150,000
Employees	18/01/2011	5.008	18/01/2012–17/01/2021	5,142,500	—	(350,000)	4,792,500
		(Note)	18/01/2013–17/01/2021	5,142,500	—	(350,000)	4,792,500
			18/01/2014–17/01/2021	5,142,500	—	(350,000)	4,792,500
			18/01/2015–17/01/2021	5,142,500	—	(350,000)	4,792,500
				21,170,000	—	(1,400,000)	19,770,000

Note:

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

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.

A summary of the New Option Scheme is set out below:

(1) Purpose

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

SHARE OPTION (CONTINUED)

(2) Participants of the New Option Scheme

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

(3) Total number of shares available for issue

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

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

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

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

(e) The number of shares involved in the options available for issue under the New Option Scheme is 189,583,613 representing 8.08 percent of the issued share capital of the Company (i.e. 2,345,636,139 shares) as at the date of this report.

(4) Maximum entitlement of each participant

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

SHARE OPTION (CONTINUED)

(4) Maximum entitlement of each participant (Continued)

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

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

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

(5) Option period

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

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

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

(7) Time of exercise of options

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

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

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

(9) Basis of determining the subscription price

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

SHARE OPTION (CONTINUED)

(10) Remaining life of the New Option Scheme

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

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

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1st January 2018	Exercised	Lapsed	As at 31st December 2018
Employees	17/03/2017	1.77	17/03/2018-01/11/2025	9,000,000	—	—	9,000,000
		(Note)	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:

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.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2018, including contributed surplus, amounted to approximately US$115,894,000 (2017: US$115,682,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 161.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Director

Dr Hsuan, Jason	(Chairman)

Non-executive Directors

Mr Zhang Dongchen	(appointed on 30th July 2018) (Notes 2 and 3)
Mr Xu Guofei	(appointed on 30th July 2018) (Notes 2 and 3)
Mr Sun Jie	(appointed on 15th March 2019) (Notes 2 and 3)
Dr Li Jun	(Note 3)
Ms Bi Xianghui	(Note 3)
Mr Yang Jun	(resigned on 29th March 2018) (Note 5)
Mr Zhu Lifeng	(resigned on 16th May 2018) (Note 6)
Ms Jia Haiying	(resigned on 15th March 2019) (Note 7)

Independent Non-executive Directors

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

Notes:

(1) In accordance with Bye-law 99 of the Company's Bye-laws, Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

(2) In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr Zhang Dongchen, Mr Xu Guofei and Mr Sun Jie will retire by rotation and, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

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

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

(5) Mr Yang Jun has resigned from his position as a non-executive director of the Company with effect from 29th March 2018. Mr Yang has confirmed that he has no disagreement with the Board and that there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

(6) Mr Zhu Lifeng has resigned from his position as a non-executive director of the Company with effect from 16th May 2018. Mr Zhu has confirmed that he has no disagreement with the Board and that there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

(7) Ms Jia Haiying has resigned from her position as a non-executive director and a member of Investment Committee of the Company with effect from 15th March 2019. Ms Jia has confirmed that she has no disagreement with the Board and that there is no matter relating to her resignation that needs to be brought to the attention of the shareholders of the Company.

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Dr Hsuan, Jason
Executive Director
Chairman & Chief Executive Officer (Age: 75)

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

Mr Zhang Dongchen
Non-executive Director (Age: 56)

Mr Zhang holds a bachelor's degree of Radio Remote Control and Telemetry from University of Electronic Science and Technology and a master's degree of Business Administration from Xi'an Jiaotong University. He obtained a title of senior engineer (researcher level). Mr Zhang is currently the general manager and Deputy Secretary of the Leading Party Member Group of CEC. Mr Zhang had served as the assistant engineer, the engineer, the division head, the assistant to the director, the deputy director, the director and the member of the party committee of 54th Research Institute of under the Ministry of Information Technology (formerly as the 54th Research Institute of under the Ministry of Electronics Industry and now is a subsidiary under China Electronics Technology Corp), the deputy general manager and the member of the Party Leadership Group of China Electronics Technology Group Corporation, the deputy general manager and Deputy Secretary of the Leading Party Member Group of CEC. Mr Zhang was appointed as a non-executive director of the Company in July 2018.

Mr Xu Guofei
Non-executive Director (Age: 56)

Mr Xu holds a bachelor's degree of Radio Technology and a master's degree of Business Administration from Southeast University. He obtained a title of senior engineer (researcher level). Mr Xu has been engaged in the development and management of communication technology for a long time and has extensive expertise in electronics technology and experience in operation management. Mr Xu is currently the assistant to the general manager of CEC. He is also the general manager of PANDA Electronics Group Co., Ltd., chairman of the board of Nanjing China Electronics Panda Corporation, an executive director and the chairman of the board of Nanjing Panda Electronics Company Limited (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange), a director of Nanjing Huadong Electronic Information & Technology Co., Ltd. (a company listed on Shenzhen Stock Exchange). Mr Xu had served as the deputy manager of the Communication Equipment Department, the general manager of the Military Communications Department and the deputy general manager of PANDA Electronics Group Co., Ltd., the chairman of the board of Nanjing Huadong Electronic Information & Technology Co., Ltd., and the secretary of the Party Committee, the deputy general manager and general manager of Nanjing China Electronics Panda Corporation. Mr Xu was appointed as a non-executive director of the Company in July 2018.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr Sun Jie
Non-executive Director (Age: 52)

Mr Sun holds a bachelor's degree in Computer Science and Engineering of Anhui University. He obtained a title of senior engineer (researcher-level). Mr Sun has rich experience in managing large enterprises. Mr Sun is currently the director of the Department of Operation Management of China Electronics Corporation ("CEC"). He is also the executive director (the legal representative) and the CEO of China Electronics Co., Ltd., the director of China National Electronics Import & Export Co., Ltd., China Zhenhua Electronics Group Co., Ltd., CEC Jinjiang Info Industrial Co., Ltd., Nanjing CEC Panda FPD Technology Co., Ltd., and Nanjing CEC Panda LCD Technology Co., Ltd. He was previously appointed as the acting deputy director of the Department of Marketing and the director of the Department of System Equipment of CEC, the director of China Great Wall Technology Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange), and the deputy division chief of Electronic Engineering Department and International Cooperation Department, as well as the assistant director of the 38th Research Institute of China Electronic Technology Group Corporation. Mr Sun was appointed as a non-executive director and a member of the Investment Committee of the Company in March 2019.

Dr Li Jun
Non-executive Director (Age: 43)

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

Ms Bi Xianghui
Non-executive Director (Age: 42)

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

Directors (Continued)

Mr Chan Boon Teong

Independent Non-executive Director (Age: 76)

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

Dr Ku Chia-Tai

Independent Non-executive Director (Age: 76)

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

Mr Wong Chi Keung

Independent Non-executive Director (Age: 64)

Mr Wong holds an MBA degree from the University of Adelaide, Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr Wong is also a responsible officer for asset management and advising on securities for CASDAQ International Capital Market (HK) Company Limited under the SFO of Hong Kong.

Mr Wong has over 40 years of experience in finance, accounting and management. He is currently an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, Nickel Resources International Holdings Company Limited (formerly known as China Nickel Resources Holdings Limited), China Ting Group Holdings Limited, Fortunet e-Commerce Group Limited (formerly known as Changfeng Axle (China) Company Limited), Golden Eagle Retail Group Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, Yuan Heng Gas Holdings Limited (formerly known as Ngai Lik Industrial Holdings Limited) and Zhuguang Holdings Group Company Limited, all of these companies are listed on the Exchange.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr Wong was previously an executive director, the deputy general manager, group financial controller and company secretary of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) for over ten years, an independent non-executive director of China Internet Investment Finance Holdings Limited (formerly known as China Treasure (Greater China) Investments Limited), Fresh Express Delivery Holdings Group Co., Limited (formerly known as FU JI Food and Catering Services Holdings Limited), Great Wall Motor Company Limited, Imperial Pacific International Holdings Limited, (formerly known as First Natural Foods Holdings Limited), PacRay International Holdings Limited (formerly known as PacMOS Technologies Holdings Limited), ENM Holdings Limited, Heng Xin China Holdings Limited and China Shanshui Cement Group Limited (resigned on 23rd May 2018), all of them are listed on the Exchange. Mr Wong was appointed as an independent non-executive director of the Company in August 2004. He is also the member of each of the audit committee, nomination committee, remuneration committee and an alternate member to Mr Chan Boon Teong of information disclosure committee of the Company.

Senior Management

Mr Hsieh Chi-Tsung
Senior Vice President (Age: 67)

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

Dr Chen Nai-Yung
Senior Vice President and Chief Information Officer (Age: 68)

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

Mr Tuan Chen-Hua
Senior Vice President (Age: 66)

Mr Tuan, joined the Group in 1978, is responsible for the Group's own brand business ("OBM"). He holds a management degree in Business from Tsinghua University, Beijing. He was in charge for various businesses of the Group, such as materials procurement, Original Equipment Manufacturer ("OEM") and own brand. Mr Tuan has been responsible for the own brand business since 2003 and led the team to realize a remarkable improvement in the said aspect, making AOC as one of the top brands of monitors among the world. He has been serving for the Group for over 40 years.

Mr Shane Tyau
Senior Vice President and Chief Financial Officer (Age: 62)

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Senior Management (Continued)

Mr Wang Pi-Lu
Vice President and Chief Operational Officer (Age: 46)

Mr Wang, is in charge of factory operation, Quality Assurance, Customer Service, Manufacturing and Supply Chain Management of the Group. He graduated from Kuangwu College in Industrial Engineering. Prior to joining the Group, he worked for TATUNG Beitou as plant manager and TATUNG Czech as general manager and has gained rich management experience in electronics field.

Mr Huang Wen-Huei
Vice President (Age: 60)

Mr. Huang, is responsible for TV business group, including ODM and OBM business. Starting his career from TV/Display engineering, he was TV BU General Manager in Sampo Corporation prior to join the Group in 2008. He has 40 years of experience in R&D, product strategy, operation, sales and business development in TV/Display industry.

Mr Chen You-Zhu
Vice President (Age: 49)

Mr Chen is in charge of monitor business group. He graduated from Xian Jiaotong University in auditing. He joined the Group in 1993, was responsible for accounting over 25 years and site operation over 6 years.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31st December 2018, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests and short positions in which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") were as follows:

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

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

Notes:

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

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS (CONTINUED)

Save as disclosed above and in the paragraph headed "Share Options", as at 31st December 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 year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the directors and chief executive of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

As at 31st December 2018, the Group is controlled by CEC, which owns 37.05% of the Company's shares. The directors regard CEC, a state-owned enterprise established under the laws of the PRC, as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31st December 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)
CEC	869,088,647 (Notes 1, 2)
China Electronics Limited	251,958,647 (Notes 1, 2)
CEIEC (H.K.) Limited ("CEIEC HK")	251,958,647 (Notes 1, 2)
Mitsui & Co., Ltd. ("Mitsui")	426,802,590 (Note 2)
Innolux Corporation ("Innolux")	150,500,000 (Note 3)
Chimei Corporation ("CMC")	150,500,000 (Note 3)
FMR LLC	121,946,000

Notes:

(1) CEC and CEIEC HK are the registered holders of the aggregate of 869,088,647 Shares held within the CEC Group, of which 617,130,000 Shares are held by CEC, and 251,958,647 Shares are held by CEIEC HK. CEIEC HK is an indirect wholly-owned subsidiary of CEC.

(2) CEC, CEIEC HK and Mitsui are parties to a consortium agreement dated 28 January 2010 (the "Consortium Agreement") and to a shareholders' agreement dated 28 January 2010 (the "Shareholders' Agreement"). The Consortium Agreement and the Shareholders' Agreement are agreements to which section.317(a) of the SFO applies. CEC and Mitsui are acting in concert with each other in respect of their aggregate 1,295,891,237 Shares.

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in the section "Transaction with the CEC Group" under "Connected Transactions" in this Report of the Directors, and the disposal of interest in a joint venture CEC Panda Flat Panel Display Technology Co. Ltd. where Mr Zhang Dongchen, Mr Xu Guofei, Ms Jia Haiying, Dr Li Jun, Ms Bi Xianghui, Mr Yang Jun and Mr Zhu Lifeng had abstained from voting on the relevant board resolutions approving such connected transactions, there is no other transaction, arrangement or contract of significance subsisting during or at the end of the 2018 financial year in which a director or an entity connected with a director was, directly or indirectly interested.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Sales	
— the largest customer	7.52%
— five largest customers combined	29.01%

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

Purchases	
— the largest supplier	17.24%
— five largest suppliers combined	40.36%

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

CONNECTED TRANSACTIONS

The significant related party transactions entered into by the Group during the year ended 31st December 2018 are set out in Note 40 to the consolidated financial statements and include transactions that constitute connected transactions for which the disclosure requirements under the Listing Rules have been complied. The following transactions between certain connected party (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, have been made by the Company in accordance with the requirements of the Listing Rules.

(1) Disposal of interest in the Joint Venture

Reference is made to the announcement of the Company dated 14th May 2018, Top Victory Investments Limited ("Top Victory") has exercised the put option on 14th May 2018 to require Nanjing Electronics Information Industrial Corporation ("CEC Panda") to acquire Top Victory's stake in the CEC Panda Flat Panel Display Technology Co., Ltd. (the "Joint Venture") for a consideration of approximately RMB164.4 million (equivalent to approximately US$24.9 million) pursuant to the Joint Venture Agreement and the Supplemental Investment Agreement (details of which are contained in the announcement dated 14th May 2018). The Board considered that the disposal of interest in the Joint Venture represented a good opportunity to realise the Group's investment in the Joint Venture before the expiry of the put option without adversely affecting the panel supply to the Group. This transaction was approved by independent shareholders at the special general meeting held on 27th June 2018. CEC Panda is a connected person of the Company under the Listing Rules by virtue of it being a subsidiary of CEC, the controlling shareholder of the Company.

CONNECTED TRANSACTIONS (CONTINUED)

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

The following transactions between the Group and the CEC Group incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Renewed Trademarks Licensing and Sales Agency Agreement (details of which are contained in the Circular to shareholders dated 25th January 2016 (the "January 2016 Circular")).

At the special general meeting of shareholders held on 16th February 2016, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	28th December 2015	The Renewed Trademarks Licensing and Sales Agency Agreement 1st January 2016– 31st December 2018	Wuhan Admiral Technology Limited ("AOC"), a wholly-owned subsidiary of the Company and CEC, a substantial shareholder of the Company	The trademark fee paid to CEC Group under the Trademarks Licensing and Sales Agency Agreement for using the Great Wall Monitor Trademarks and the word "長城顯示器" in the PRC, including the rights to manufacture, produce, sales and management of the distributors of the Great Wall Monitors	The royalty and sales agency fee will be equivalent to 0.5% of the net sales of Great Wall Monitors. The fee is determined after arm's length negotiations between AOC and CEC after taking into account both the historical and projected sales volume, sales price, market share and the revival plan of the Great Wall Monitors as well as comparable transactions.	US$87,000	US$652,000

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

Reference is made to the announcement of the Company dated 5th June 2015, the transactions between the Group and SZSED Wireless (a subsidiary of China CEC International Information Service Co., Ltd., a wholly-owned subsidiary of CEC, the ultimate controlling shareholder of the Company) contemplated under the Further Assembly Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

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

CONNECTED TRANSACTIONS (CONTINUED)

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

The following transactions between the Group and the SZSED Electronics Group (a subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Distribution Agreement (details of which are contained in the January 2016 Circular).

At the special general meeting of shareholders held on 16th February 2016, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	28th December 2015	The Distribution Agreement 1st January 2016–31st December 2018	Sang Fei and Shenzhen SED Coalition Electronics Co., Ltd., a subsidiary of CEC	Pursuant to the Distribution Agreement, Sang Fei appointed SZSED Electronics Group as a non-exclusive distributor of the Philips Mobile Phones (as defined in January 2016 Circular) in PRC through regional distributors and dealers.	Pursuant to the Distribution Agreement, Sang Fei shall sell the Philips Mobile Phones to SZSED Electronics on a purchase-by-purchase basis. The price and specifications of the Philips Mobile Phones shall be specified in a purchase order, which includes name of products, purchase quantity, unit price and payment terms, to be issued by SZSED Electronics. The terms of the sales of the Philips Mobile Phones will be determined after arm's length negotiation between the parties to the Distribution Agreement. Under the Distribution Agreement, the pricing and other terms of the supply of the Philips Mobile Phones shall be on normal commercial terms and shall be no less favorable to Sang Fei than those applicable to sales by Sang Fei to any other distributors purchasing comparable products.	US$1,000	US$26,154,000

CONNECTED TRANSACTIONS (CONTINUED)

(5) Transaction with China Greatwall Technology Group Co., Ltd (formerly known as China Great Wall Computer Shenzhen Company Limited) and its associates (the "CGT Group")

The following transactions between the Group and the CGT Group (a substantial shareholder of the Company, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000066), a subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Supply Agreements (details of which are contained in the January 2016 Circular and the Circular to shareholders dated 18th January 2018 (the "January 2018 Circular")).

At the special general meetings of shareholders held on 16th February 2016 and 2nd February 2018, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	28th December 2015	The Supply Agreement 1st January 2016– 31st December 2018	the Company and China Greatwall Technology Group Co., Ltd, a subsidiary of CEC	Pursuant to the Supply Agreement, the Company may supply, and CGT may purchase, the AIO Products (as defined in January 2016 Circular).	Pursuant to the Supply Agreement, the Company shall sell the AIO Products to CGT on a purchase-by-purchase basis. The price and specifications of the AIO Products shall be specified in a purchase order to be issued by CGT to the Company. The price and other terms of the AIO Products shall be (i) on normal commercial terms; (ii) determined with reference to prevailing market prices; (iii) determined after arm's length negotiation; and (iv) in any event, no more favourable to CGT than price and the other terms available to independent third party customers.	US$2,278,000	US$17,000,000
(ii)	19th December 2017	The Supply Agreement 1st January 2018– 31st December 2020	the Company and China Greatwall Technology Group Co., Ltd, a subsidiary of CEC	Pursuant to the Supply Agreement, the Company may supply, and CGT may purchase, the AOC Products (as defined in January 2018 Circular).	Pursuant to the Supply Agreement, the Group shall sell the AOC Products to the CGT Group on a purchase-by-purchase basis. The price and specifications of the AOC Products shall be specified in a purchase order to be issued by the CGT Group to the Group. The price and other terms of the AOC Products shall be (i) on normal commercial terms; (ii) determined after arm's length negotiation; and (iii) in any event, on normal commercial terms or no less favourable than prevailing reasonable market price and terms to both of the parties to the Supply Agreement.	Nil	US$19,500,000

CONNECTED TRANSACTIONS (CONTINUED)

(6) Transaction with Guangdong CE Yike Electronic Appliance Co., Ltd. and its associates (the "GCE Yike Group")

The following transactions between the Group and the GCE Yike Group (an indirect wholly-owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the Circular to shareholders dated 10th February 2017 (the "February 2017 Circular")).

At the special general meeting of shareholders held on 27th February 2017, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	20th January 2017	The Procurement Agreement 27th February 2017– 31st December 2019	Top Victory, a wholly-owned subsidiary of the Company and Guangdong CE Yike Electronic Appliance Co., Ltd., a subsidiary of CEC	Pursuant to the Procurement Agreement, Top Victory, its subsidiaries and associates ("Top Victory Group") procure the Products from the GCE Yike Group. (as defined in February 2017 Circular).	The procurement of the Products by the Top Victory Group from the GCE Yike Group will be by way of purchase orders, which will set out the quantity, model type, specifications, pricing and payment terms of the Products. Pursuant to the Procurement Agreement, the pricing and other terms shall be negotiated on an arm's length basis between the parties to the Procurement Agreement (i.e. their respective senior management) and be determined based on normal commercial terms with reference to the cost of the raw materials and core components, prevailing market prices of the Products and in any event the pricing and other terms provided by the GCE Yike Group shall be no less favourable to the Top Victory Group than those offered by independent third party suppliers.	US$3,868,000	US$63,500,000

CONNECTED TRANSACTIONS (CONTINUED)

(7) Transaction with China Electronics Financial Co., Ltd. ("CEC Finance")

The following transactions between the Group and CEC Finance (a non-bank financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. CEC Finance is permitted to provide various financial services such as deposit services, loan services, bills discounting services and investment services to the CEC Group) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Financial Services Agreement (details of which are contained in the Circular to shareholders dated 20th November 2017 (the "November 2017 Circular")).

At the special general meeting of shareholders held on 5th December 2017, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	30th October 2017	The Financial Services Agreement 1st January 2018–31st December 2020	the Company and CEC Finance	Pursuant to the Finance Services Agreement, CEC Finance provide financial services to the Company include:	NA		
				(a) Bank acceptance bills discounting without recourse;		Nil	Provision of bank acceptance bills discounting without recourse services RMB7,000,000,000
				(b) RMB and foreign currency loans;		US$27,634,000	Provision of cash management services
				(c) Cash management, including but not limited to payments and collections, foreign currency exchanges, deposit services such as time deposits, call deposits and negotiable deposits; and			Maximum daily ending balance of deposits (together with the interests accrued thereon) maintained by the Group with CEC Finance
				(d) Other services including bank acceptance bills collection, principal protected financial investments and money market funds services			RMB200,000,000

CONNECTED TRANSACTIONS (CONTINUED)

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

The following transactions between the Group and the Nanjing Wally Group (a non wholly-owned subsidiary of Nanjing Huadong Electronics Information & Technology Co., Ltd., whose A-shares are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000727) and a non-wholly owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the January 2018 Circular).

At the special general meeting of shareholders held on 2nd February 2018, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	19th December 2017	The Renewed Nanjing Wally Procurement Agreement 1st January 2018–31st December 2020	Top Victory and Nanjing Wally Electronics Technology Co., Ltd., a non wholly-owned subsidiary of CEC	The purchase of Products (including touch modules and related components, as defined in the January 2018 Circular) by the Group from the Nanjing Wally Group under the Procurement Agreement.	The procurement of the Nanjing Wally Products by the Top Victory Group from the Nanjing Wally Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the Nanjing Wally Products. The pricing and payment terms of the Nanjing Wally Products shall be determined as fair and reasonable based on normal commercial terms with reference to the cost of the raw materials and core components and prevailing market prices. In any event, such terms shall be no less favourable to the Top Victory Group than those offered by independent third party suppliers.	US$20,432,000	US$75,890,000

CONNECTED TRANSACTIONS (CONTINUED)

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

The following transactions between the Group and the Panda LCD Group (a non wholly-owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the January 2018 Circular).

At the special general meeting of shareholders held on 2nd February 2018, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	19th December 2017	The Renewal Panda LCD Procurement Agreement 1st January 2018–31st December 2020	Top Victory and Nanjing CEC Panda LCD Technology Co., Ltd., a non wholly-owned subsidiary of CEC	The procurement of the Products (including LCD panel as defined in the January 2018 Circular) by the Top Victory Group from Panda LCD Group under the Procurement Agreement.	The procurement of the Panda LCD Products by the Top Victory Group from the Panda LCD Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the Panda LCD Products. The pricing and the payment terms of the Panda LCD Products shall be determined as fair and reasonable based on normal commercial terms with reference to prevailing market prices. In any event, such terms shall be no less favorable to the Top Victory Group than that offered by independent third party suppliers.	US$186,368,000	US$756,000,000

CONNECTED TRANSACTIONS (CONTINUED)

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

The following transactions between the Group and the SZIT Group (a wholly-owned subsidiary of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the January 2018 Circular).

At the special general meeting of shareholders held on 2nd February 2018, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	19th December 2017	The Renewed SZIT Procurement Agreement 1st January 2018–31st December 2020	Top Victory and Shenzhen CECI Information Technology Co., Ltd., a wholly owned subsidiary of CEC	The purchase of SZIT Products (including electronic components or semi-conductors, as defined in the January 2018 Circular) by the Top Victory Group from SZIT Group under the Procurement Agreement.	The procurement of the SZIT Products by the Top Victory Group from the SZIT Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the SZIT Products. The pricing and payment terms of the SZIT Products shall be determined as fair and reasonable based on normal commercial terms with reference to the costs of the raw materials and core components, as well as prevailing market prices. Payment term shall be 120 days from end of the month. In any event, such terms shall be no less favourable to the Top Victory Group than those offered by independent third party vendors.	US$27,588,000	US$30,145,000

CONNECTED TRANSACTIONS (CONTINUED)

(11) Transaction with Xianyang Cailian Packing Material Co., Ltd. and its associates (the "XYCL Group")

The following transactions between the Group and the XYCL Group (an associate of CEC, the ultimate controlling shareholder of the Company) incurred during the year constitute continuing connected transactions under Chapter 14A of the Listing Rules. Non-exempt continuing connected transactions which comprise the transactions contemplated under the Procurement Agreement (details of which are contained in the January 2018 Circular).

At the special general meeting of shareholders held on 2nd February 2018, the independent shareholders approved the aforesaid non-exempt continuing connected transactions and the annual caps. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	19th December 2017	The XYCL Procurement Agreement 1st January 2018–31st December 2020	Top Victory and Xianyang Cailian Packing Material Co., Ltd., an associate of CEC	The purchase of XYCL Products (including packaging materials, as defined in the January 2018 Circular) by the Top Victory Group from XYCL Group under the Procurement Agreement.	The procurement of the XYCL Products by the Top Victory Group from the XYCL Group will be by way of purchase order, which will set out the quality, model type, specifications, pricing and payment terms of the XYCL Products. The pricing and payment terms of the XYCL Products shall be determined as fair and reasonable based on normal commercial terms with reference to the costs of the raw materials and core components, as well as prevailing market prices. In any event, such terms shall be no less favourable to the Top Victory Group than those offered by independent third party vendors.	US$107,000	US$1,200,000

CONNECTED TRANSACTIONS (CONTINUED)

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

Reference is made to the announcement of the Company dated 19th December 2017, the transactions between the Group and SZSED (the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 000032) and owned as to approximately 49.81% by CEC, the ultimate controlling shareholder of the Company) contemplated under the Renewed Tenancy Agreement were exempt from independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. The transaction amounts in respect of the continuing connected transactions for the year ended 31st December 2018 are as follows:

No.	Date of Agreement	Name and current term of the agreement	Transaction parties	Nature and description of the transaction	Pricing Basis	Transaction amounts of the continuing connected transactions	Annual caps
(i)	19th December 2017	The Renewed Tenancy Agreement 1st January 2018– 31st December 2019	Sang Fei and SZSED, a subsidiary of CEC	Sang Fei agreed to rent office premises in Nanshan District, Shenzhen owned by SZSED under the Renewed Tenancy Agreement (as defined in the Company's announcement dated 19th December 2017)	RMB199,428 per month (equivalent to approximately US$30,126) for the period from 1st January 2018 to 31st December 2018 and RMB210,223 per month (equivalent to approximately US$31,852) for the period from 1st January 2019 to 31st December 2019.	US$337,000	US$399,000

Note: On 26th December 2017, Xiamen ZhongDian JingJie Optoelectronics Co., Ltd. ("CEZZ")'s shareholding in Shenzhen Kaifa Technology Co., Ltd. decreased from 36.34% to 25.07%, so CEZZ is no longer a connected party of the Company. The transaction as contemplated under the CEZZ Procurement Agreement (details of which were contained in the January 2018 Circular) was no longer a continuing connected transaction under Chapter 14A of the Listing Rules.

These continuing connected transactions have been reviewed by the board of directors, including the independent non-executive directors, who are of the opinion that the transactions were (i) in the ordinary and usual course of business of the Group; (ii) conducted in accordance with the respective agreements governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) on normal commercial terms which are no less favourable than those available to or from independent third parties; and (iv) the aggregate amount of each class of the continuing connected transactions for the financial year ended 31st December 2018 has not exceeded their respective annual caps.

CONNECTED TRANSACTIONS (CONTINUED)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter and reported that in respect of the continuing connected transactions in notes (1) to (12) on pages 25–35 ("disclosed continuing connected transactions"):

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

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

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

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

PERMITTED INDEMNITY PROVISION

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

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

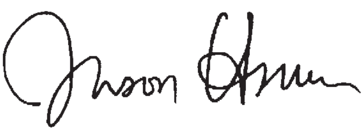
PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board



Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 15th March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

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

During the financial year of 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.

THE BOARD

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

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

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

Chairman and Chief Executive Officer

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

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

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

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

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

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

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

Re-election of Directors

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

During the year and up to the date of this report, the Board consisted of one executive director, namely Dr Hsuan, Jason (Chairman), five non-executive directors, namely Mr Zhang Dongchen (appointed on 30th July 2018), Mr Xu Guofei (appointed on 30th July 2018), Mr Sun Jie (appointed on 15th March 2019), Dr Li Jun, Ms Bi Xianghui, Mr Yang Jun (resigned on 29th March 2018), Mr Zhu Lifeng (resigned on 16th May 2018) and Ms Jia Haiying (resigned on 15th March 2019), and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung. Independent non-executive directors constitute one-third or above of the Board and non-executive directors constitute half or above of the board.

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

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

RESPONSIBILITIES OF DIRECTORS

The Board requires directors to devote sufficient time and attention to their duties and responsibilities. Apart from attending the schedule meetings which were fixed before the beginning of 2018, all directors used their best endeavours to attend ad-hoc meetings, even on short notice, or participate by audio and video link.

The Board holds four regular meetings a year, at quarterly intervals, and it also meets as and when required in between them. The dates of the regular meetings are scheduled during the preceding year, in order to give all the directors sufficient notice to allow them to attend. Agenda of each meeting is sent to all directors at reasonable time ahead of the meeting. Directors can propose any matters in the agenda by notifying the Company Secretary and other Board members. The Board held six meetings during 2018. The attendance of individual directors at these meetings is as follows:

Name of director	Attendances/Number of Board meetings held during the director's term of office in 2018
Executive Director	
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	6/6
Non-executive Directors	
Mr Zhang Dongchen (appointed on 30th July 2018)	2/2
Mr Xu Guofei (appointed on 30th July 2018)	2/2
Dr Li Jun	6/6
Ms Bi Xianghui	6/6
Mr Yang Jun (resigned on 29th March 2018)	0/1
Mr Zhu Lifeng (resigned on 16th May 2018)	0/2
Ms Jia Haiying (resigned on 15th March 2019)	3/6
Independent Non-executive Directors	
Mr Chan Boon Teong	6/6
Dr Ku Chia-Tai	6/6
Mr Wong Chi Keung	6/6

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

— to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

— to review the Company's compliance with the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed director is enabled to have a proper understanding of the operations and businesses of the Group and full awareness of his or her responsibilities and ongoing obligation under the Listing Rules, applicable legal requirements, and other regulatory requirements, as well as the Company's corporate governance policies. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Company has arranged a 9-day site visit in South America in October 2018 for the directors to understand our operations in South America.

According to the records provided by the directors, a summary of training received by the directors during 2018 is as follows:

Name of director	Type of continuous professional development programmes
Executive Director	
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	A, B, C
Non-executive Directors	
Mr Zhang Dongchen (appointed on 30th July 2018)	A, B, C
Mr Xu Guofei (appointed on 30th July 2018)	A, B, C
Dr Li Jun	A, B, C
Ms Bi Xianghui	A, B, C
Mr Yang Jun (resigned on 29th March 2018)	B, C
Mr Zhu Lifeng (resigned on 16th May 2018)	B, C
Ms Jia Haiying (resigned on 15th March 2019)	A, B, C
Independent Non-executive Directors	
Mr Chan Boon Teong	A, B, C
Dr Ku Chia-Tai	A, B, C
Mr Wong Chi Keung	A, B, C

A: Site visit in South America

B: Attending seminars and/or conferences

C: Reading newspapers, journals and updates relating to the economy, general business, director's duties and responsibilities

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

DELEGATION BY THE BOARD

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

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

SUPPLY OF AND ACCESS TO INFORMATION

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

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

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

ACCOUNTABILITY AND AUDIT

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

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

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

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

The responsibilities of the external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 62 to 66.

BOARD COMMITTEES

The Board has appointed five committees including the Audit Committee, the Nomination Committee, the Remuneration Committee, the Investment Committee and the Information Disclosure Committee, to delegate the Board's functions. Sufficient resources are provided to enable the Board committees to undertake their specific roles. The respective role, responsibilities, compositions and summary of the work during the year of each Board committee are set out below:

AUDIT COMMITTEE

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

The Audit Committee is responsible for providing the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

AUDIT COMMITTEE (CONTINUED)

All members of the Audit Committee are independent non-executive directors. Among them, they possess a wealth of management experience in the financial, accounting, commercial, industrial, real-estate and telecommunication sectors. The Audit Committee is chaired by Mr Chan Boon Teong, and its other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. Mr Wong Chi Keung is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. The Committee held five regular meetings in 2018. The attendance of its individual members at these meetings is as follows:

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

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

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

— Reviewing and recommending the annual financial statements for the year ended 31st December 2018;

— Reviewing and recommending the interim financial statements for the six months ended 30th June 2018;

— Reviewing and recommending the quarterly results;

— Reviewing the accounting policies adopted by the Group;

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

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

— Reviewing and approving the internal audit plan for 2019;

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

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

— Monitoring any possible areas of fraud and illegal risk;

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

— Having meetings with external consultants to discuss corporate governance requirements; and

— Giving recommendations to enhance risk management.

The minutes of Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of Audit Committee meetings are sent to all its members for their comments and records.

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

AUDIT COMMITTEE (CONTINUED)

The Board agreed with the Audit Committee's proposal to re-appoint PricewaterhouseCoopers as the Company's external auditor for the year 2019. The recommendation will be put forward for approval by the shareholders at the Company's annual general meeting on 16th May 2019.

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

AUDITORS' REMUNERATION

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

Services rendered	Fee paid/payable US$'000
Audit service	4,232
Non-audit services	
— Tax services	802
— Other	314
	5,348

NOMINATION COMMITTEE

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

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

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

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

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

The Nomination Committee held two meetings during 2018. The attendance of its individual members at the meeting is as follows:

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

NOMINATION COMMITTEE (CONTINUED)

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

Subsequent to the financial year ended 31st December 2018 and up to the date of this report, a meeting of Nomination Committee was held on 15th March 2019 to review the re-appointment of Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung as independent non-executive directors of the Company at the Annual General Meeting and the appointment of Mr Zhang Dongchen and Mr Xu Guofei as non-executive directors of the Company.

BOARD DIVERSITY POLICY

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

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

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

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

REMUNERATION COMMITTEE

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

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

It is chaired by Mr Chan Boon Teong, an independent non-executive director who also serves as chairman of the Audit Committee. The other members include Dr Ku Chia-Tai and Mr Wong Chi Keung, both of whom are independent non-executive directors of the Company, Dr Hsuan, Jason, the chairman and chief executive officer of the Company and Ms Bi Xianghui, a non-executive director of the Company. The Remuneration Committee held five meetings during 2018. The attendance of individual members at Remuneration Committee meetings is as follows:

Name of director	Number of attendances
Mr Chan Boon Teong *(chairman of the Remuneration Committee)*	5/5
Dr Ku Chia-Tai	5/5
Mr Wong Chi Keung	4/5
Dr Hsuan, Jason	4/5
Ms Bi Xianghui	5/5

REMUNERATION COMMITTEE (CONTINUED)

During its meetings, the Remuneration Committee discussed and reviewed the remuneration policy and structure regarding the senior management and other employees of the Group in 2018 and the remuneration budget for 2019. The Remuneration Committee also reviewed and approved the remuneration packages of individual executive director and senior management with reference to their performance. To avoid conflicts of interest, the directors' fees of independent non-executive directors were discussed and approved by the Board and the independent non-executive directors have abstained from voting in this regard.

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

Details of the directors' and senior management's emoluments are set out in Notes 42 and 10 to the consolidated financial statements; and details of the Option Scheme and the director's interest in share options are set out in the Report of the Directors.

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

INVESTMENT COMMITTEE

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

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

It is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company, the other members include Ms Jia Haiying (resigned on 15th March 2019), Dr Li Jun, Ms Bi Xianghui and Mr Sun Jie (appointed on 15th March 2019), all of whom are non-executive directors of the Company and Mr Chan Boon Teong, an independent non-executive director of the Company.

The Investment Committee shall meet as and when required, but in any event at least quarterly. The Investment Committee held six meetings during 2018. The attendance of its individual members at these meetings is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Investment Committee)*	6/6
Dr Li Jun	5/6
Ms Bi Xianghui	6/6
Mr Chan Boon Teong	6/6
Ms Jia Haiying (resigned on 15th March 2019)	3/6

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

INFORMATION DISCLOSURE COMMITTEE

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

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

INFORMATION DISCLOSURE COMMITTEE (CONTINUED)

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

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

The Information Disclosure Committee held two meetings in 2018. The attendance of its individual members at this meeting is as follows:

Name of director	Number of attendances
Dr Hsuan, Jason *(chairman of the Information Disclosure Committee)*	2/2
Dr Li Jun	2/2
Ms Bi Xianghui	2/2
Mr Chan Boon Teong	2/2
Mr Shane Tyau	2/2

During the year, the Information Disclosure Committee has considered, reviewed and made decision on disclosure of any information which give rise to disclosure obligations, including inside information.

RISK MANAGEMENT AND INTERNAL CONTROL

(I) Responsibilities of the Board and management

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

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

The Risk Management Committee, which comprises senior management personnel, is responsible for the design, implementation and monitoring of the risk management and internal control systems and provides confirmation to the Audit Committee on the systems effectiveness regularly.

(II) Risk Management

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(II) Risk Management (Continued)

The Risk Management Committee facilitates and supports business units in carrying out the ERM process on an annual basis. The ERM process includes the following steps:

1. Risk identification — identify the risks faced by the Company and its subsidiaries

2. Risk analysis — analyse the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritise key risks and confirm top risks

3. Risk handling — select an appropriate risk treatment and develop the relevant risk management strategies for identified key risks

4. Risk monitoring — perform ongoing and periodic monitoring of risks to ensure the risk management strategies are operating effectively

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

The Company adopts a top-down and bottom-up approach. The ERM process is driven by the Risk Management Committee and monitored by the Audit Committee at the top, to the functional units at the bottom. The Risk Management Committee regularly assesses significant risks and mitigation plans and reports them to the Audit Committee based on the risk monitoring mechanism responsible by the functional units to monitor significant risks timely and effectively.

(III) Internal Control and Internal Audit

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

The Company has an internal audit function. The Head of the Group Internal Audit Department reports directly to the Audit Committee, the chairman and chief executive officer of the Company, and has direct access to the Board through the chairman of the Audit Committee. The Group Internal Audit Department carries out audits in accordance with a risk-based audit plan that is reviewed and approved by the Audit Committee. Internal audits are conducted once a year for significant business units and on a rotation basis for other business units on selected cycles or processes. The quarterly internal audit reports are submitted to the Audit Committee for review and approval.

During 2018, the Group Internal Audit Department conducted audits and issued internal audit reports to management covering various operational and finance functions of the Group. The quarterly internal audit reports and audit findings prepared by the Group Internal Audit Department were reported to the Audit Committee and also to the chairman and chief executive officer of the Company on a quarterly basis. Relevant recommendations reported by the Group Internal Audit Department are implemented by management to enhance the internal control policies, procedures and practices, and to resolve material internal control deficiencies in a timely manner.

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

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

(III) Internal Control and Internal Audit (Continued)

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

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

The Board has delegated the Audit Committee to conduct an annual review of the effectiveness and adequacy of the risk management and internal control systems by reviewing the work performed by the Risk Management Committee and the Group Internal Audit Department for the year ended 31st December 2018. The review covered all material controls, including financial, operational and compliance controls, and risk management functions. The scope and quality of ongoing monitoring of the risk management and internal control systems have been assessed. The changes in the nature and extent of significant risks faced by the Group and response plans have been evaluated. The Board considered the risk management and internal control systems functioning effectively and adequately. The Audit Committee reported their comments and conclusions to the Board.

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

The Board is satisfied that the Group has fully complied with the code provisions C.2 on risk management and internal control as set forth in the Appendix 14 of the Main Board Listing Rules, Corporate Governance Code and Corporate Governance Report for the year ended 31st December 2018.

COMPANY SECRETARY

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

VOTING BY POLL

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

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

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

GENERAL MEETINGS WITH SHAREHOLDERS

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

The Company held three general meetings during 2018. The 2018 annual general meeting (the "2018 AGM") was held on 17th May 2018. Two special general meetings were held respectively on 2nd February 2018 and 27th June 2018. The Company's external auditor has attended the 2018 AGM. The attendance of individual directors at these meetings is as follows:

	Attendance at general meetings/ Number of general meetings held during the director's term of office in 2018	
Name of director	**2018 AGM**	**SGM**
Executive Director		
Dr Hsuan, Jason *(Chairman and Chief Executive Officer)*	1/1	2/2
Non-executive Directors		
Mr Zhang Dongchen (appointed on 30th July 2018)	0/0	0/0
Mr Xu Guofei (appointed on 30th July 2018)	0/0	0/0
Dr Li Jun	1/1	2/2
Ms Bi Xianghui	1/1	2/2
Mr Yang Jun (resigned on 29th March 2018)	0/0	1/1
Mr Zhu Lifeng (resigned on 16th May 2018)	0/0	1/1
Ms Jia Haiying (resigned on 15th March 2019)	1/1	2/2
Independent Non-executive Directors		
Mr Chan Boon Teong	1/1	2/2
Dr Ku Chia-Tai	1/1	2/2
Mr Wong Chi Keung	1/1	2/2

SHAREHOLDERS' RIGHT

Convening a Special General Meeting

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

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

SHAREHOLDERS' RIGHT (CONTINUED)

Procedures for Putting Forward Proposals at General Meetings

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

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

Enquiries to the Board

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

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

Fax: (852) 2546 8884

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

INVESTOR RELATIONS

Communication with Shareholders and Investors

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

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

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

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

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Bye-laws during the financial year 2018. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company, the Exchange and SGX.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HOW WE REPORT

This Environmental, Social and Governance ("ESG") report describes TPV's approach to ESG practices and the relevant performance and achievements for the year ended 31st December 2018.

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

OUR APPROACH TO ESG

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

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

Stakeholder Engagement and Materiality Assessment

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

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

Your feedback on this report is welcomed. Any suggestions can be sent to us in writing to the following Company address, by facsimile, or by clicking "Contact Us" on the homepage of the Company's website. The relevant address and facsimile number are as follows:

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

Fax: (852) 2546 8884

COMMITMENT TO OUR PEOPLE

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

Recruiting and Retaining Talent

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

In China, we collaborate with various institutions to expand our talent pipelines. Participating institutions include top universities, including Fuzhou University and Xiamen University of Technology. Shortlisted candidates work closely with our in-house engineers on product innovations and outstanding students are recruited by TPV to become part of our family. We also collaborate with universities to train talents on Android software and manufacturing technology. More than 400 students have benefited from these program since it was launched in 2009. Also, Since 2015, we have cooperated with other companies in photoelectric industry to set up joint classes on optoelectronics and mechanical aspects with Xiamen University of Technology and Taiwan's Zhonghua University.

We reward and promote our people based on assessment of individual performance, capability and potential. Promotion based on merit provides potential avenues for employees to aspire to higher grades, so as to maintain a clear and stable career development structure enabling the advancement and retention of quality staff.

In 2018, we have arranged 1st Training Program for Advanced Official ("第一屆進階將官班人才培訓計劃"). In this program, 34 selected elite colleagues have received training in organizational skill, coaching and teamwork within 4 months.

COMMITMENT TO OUR PEOPLE (CONTINUED)

Recruiting and Retaining Talent (Continued)

Organizational Skills on Implement of Corporate Strategy	Standing at the height and perspective of business operator, the participants learn how to develop a competitive corporate strategy. They also enhanced organizational skills from three perspectives, namely individual employee (culture, values, KPIs, etc.), employee governance (organization, process, etc.) and employee competencies.
Coaching Skills	The participants mastered the goal setting and problem solving method, the GROW model including effective questioning skills and how to actively listen and effectively feedback. At the same time, in the multiple scenario simulation exercises, the trainees applied the work coaching skills they learned to the real-life cases to enhance understanding and application.
Teamwork to Create High Performance Team	From the perspective of "Adversity Quotient — Career Quotient — Emotional Quotient", the participants learn emotional management, interpersonal communication and stress resistance, and build and divide labor through "commercial canvas" and "team clay game" simulation team. Effective team communication helps the trainees improve their team's performance management skills

Our bicycle team arranged competitions from time to time in order to encourage healthy lifestyle.

We formed running team to join Xiamen Marathon in January 2018.

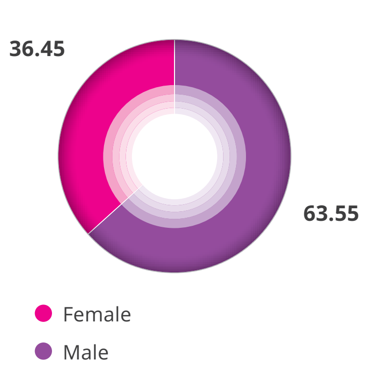
We offer competitive remuneration packages in accordance with industry practices, and the packages are reviewed regularly to remain competitive within the market. We also operate various retirement schemes, including pension plans and post-employment medical plans in different entities in accordance with local rules and regulations.

TPV is committed to providing our employees with an inclusive workplace that embraces and promotes diversity and equal opportunity. During the year, we have organized many social activities, such as sports day, road running activities, football games, basketball games and hiking expeditions, etc. to foster team building and to create a harmonious working environment. We have also formed running team and cycling to encourage colleagues to cultivate the spirit of hard work, never give up, endurance and perseverance, while always advancing and challenging. themselves.

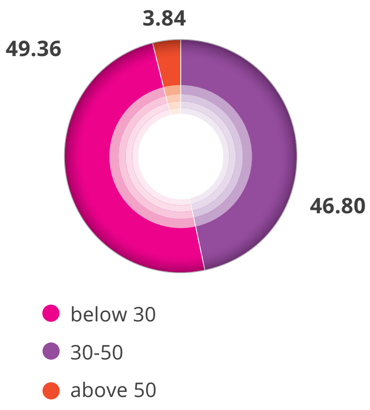
COMMITMENT TO OUR PEOPLE (CONTINUED)

Recruiting and Retaining Talent (Continued)

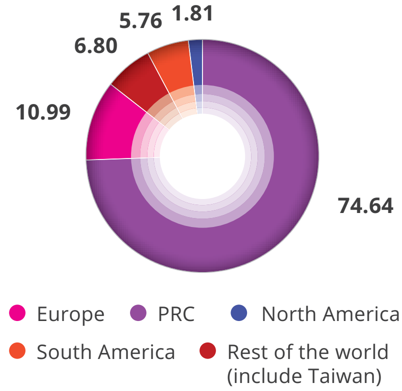
TOTAL WORKFORCE BY GENDER (%)



TOTAL WORKFORCE BY AGE (%)



TOTAL WORKFORCE BY GEOGRAPHICAL LOCATION (%)



Training and Development

We support employees' growth and in doing so, we strive to realize the full potential of our workforce. We have a three-pronged focus on training as follow:

Focus	Examples
Technical	**Project Management** **Artificial intelligence and big data analysis** **Supply Chain Management**
Functional	**Office software application** **Business English**
Soft skills	**Crisis Management** **Emotional management** **Customer Services Skills** **Negotiation Skills**

Our training programs are regularly updated to meet our ever-changing business needs. We also inspire our employees to pursue further knowledge and encourage them to undertake lifelong learning.

Promoting Health, Safety and Well-being

The health and safety of our employees is our highest priority. Our Health and Safety ("H&S") Committee has been established to identify, assess and mitigate H&S-related risks across our operations. We have set up and implemented a health and safety management systems in line with local regulatory requirements or international standards such as OHSAS 18001. In order to enrich all employees' knowledge of fire escape as well as effective fire prevention techniques, fire drills, safety training and firefighting devices demonstration have been held in different sites.

In order to strengthen the company's safety management, TPVFQ Site General Manager and Chairman of the Company's Security Committee convened a Safety Production Workshop. Nearly 60 people from various departments' safety committees and departmental safety officers participated in this workshop. The participants studied the rules and regulations related to safety production and reviewed the safety mechanism construction, investigation on safety hidden problem, safety education training and emergency management etc.

COMMITMENT TO OUR PEOPLE (CONTINUED)

Promoting Health, Safety and Well-being (Continued)

We have zero work-related fatalities during the reporting period. We extend our Health & Safety practices to our contractors and subcontractors, who are expected to report to TPV on any incidents during their course of work. According to local laws and regulations, we adopt various employee insurance and social insurance plans.

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

Also, we have organized family activities in order to promote the lifestyle of work & life balance. In Xiamen, we have held a carnival in October 2018 and more than 5,500 employees and their family enjoyed those bazaar, booth games and dance shows in this event. We have also arrange Augmented Reality ("AR") summer camp for our staffs and their children to can experience AR teaching. It is a new teaching model that is a combination of digital technology. It is designed to inspire children's independence and problem-solving skill.

Labour Standards

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

Regulatory Compliance

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

COMMITMENT TO OUR CUSTOMERS

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

Product Quality Management

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

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

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

COMMITMENT TO OUR CUSTOMERS (CONTINUED)

Product Innovation

Continual innovation is essential in our fast-changing industry. Following a huge success on OLED technology under the Philips brand TV in 2017, during the year, we have combined the latest OLED technology with the P5 Perfect Picture engine and the three-sided Ambilight system to make the immersive viewing experience:

OLED	producing a peak white output of 900 nits ensuring a huge, unmatched contrast ratio and allowing the brightest and darkest elements of an image to be reproduced on-screen simultaneously
P5 processor	reducing noise without introducing annoying blurring while eliminating banding by extending 8 bit video to near 14 bit precision and transforming content into a sharper Ultra HD picture for a more refined image with noticeably more depth and dimension
Ambilight	further enhancing the TV's already exceptional color vibrancy and huge contrast ratio while creating a more immersive viewing experience than previously available

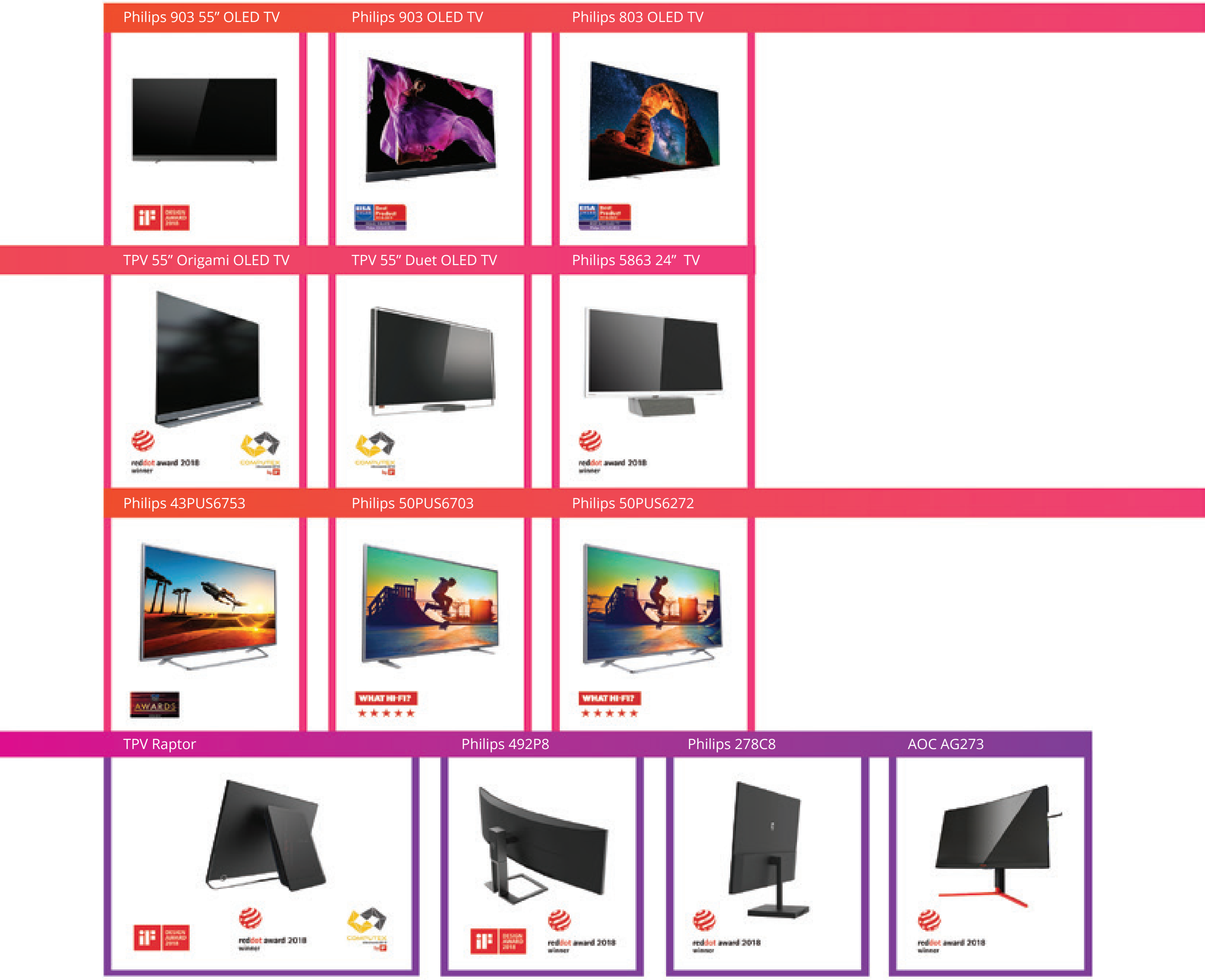
During 2018, we added 164 patents relating to TVs, monitors and audio, raising the Group's total number of patents to 1,197.

TPV has set up innovation centres to foster and coordinate new ideas on product design and functional enhancement. For instance, Innovation Site Europe ("ISE") has a strong focus on various product domains including connectivity, displays, audio and video processing, and it also drives sustainability via innovative power and materials solutions. Through collaboration with research institutes and universities, ISE strengthens its capabilities in product enhancement. For example, the Cloud4all project, which is an international project funded by the 7th Framework Programme of the European Union that will advance the concept of the Global Public Inclusive Infrastructure ("GPII") which will combine cloud computing, web and platform services to make access simpler, more inclusive, available everywhere and more affordable. Cloud4all will develop key parts of the GPII, building the knowledge base and algorithms needed and evaluating the ability of the concept to work across platforms, technologies and applications. Additionally, we are in collaboration with research institute on DALIA project (Assistant for Daily Life Activities at Home) to provide an integrated home system that supports elderly, offers support to their informal carers and can be extended to interface with services of formal care and medical services.

COMMITMENT TO OUR CUSTOMERS (CONTINUED)

Awards

During 2018, we collected several industry awards, including the iF Awards, the Red Dot Awards and the Computex d&I Awards, among others.



COMMITMENT TO OUR CUSTOMERS (CONTINUED)

Sustainable Product Design

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

Customer Satisfaction Management

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

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

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

We respect customers' data privacy and their rights to personal information gathered by our products and services. Data and privacy protection procedures are in place and communicated to our employees through regular training. All collected personal data is accessible only by authorized personnel and the data is handled in a confidential manner. Our product development process takes the terms of non-disclosure agreement of the customers as the basis of data privacy or data protection. For example, in TP Vision Europe B.V., we have the Smart TV Privacy Policy which is based on Dutch and EU laws. As of May 2018, a new privacy regulation has been implemented in the EU and companies which control and process personal data is subject to a several requirements, for example having the right policies in place, entering into data protection agreements with other companies which process our personal data etc. Our company have already enforced several policies under the General Data Protection Regulation accordingly and will continue to implement other data protection policy in the future to protect our customer's data privacy.

Product Advertising and Labelling

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

Regulatory Compliance

In 2018, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning product responsibility.

OUR COMMITMENT TO BUSINESS PARTNERS

As an international business, we source from over 25,000 suppliers globally. We regard our suppliers as important business partners and we continually strive to forge and maintain close and supportive relationships with them, through engagement and collaboration, to maintain a healthy business ecosystem.

Supply Chain Management

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

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

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

Engaging Suppliers

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

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

OUR COMMITMENT TO BUSINESS PARTNERS (CONTINUED)

Anti-Corruption

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

Regulatory Compliance

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

COMMITMENT TO OUR ENVIRONMENT

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

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

Emissions

Air and greenhouse gases ("GHG") emissions

We make an on-going effort to manage and reduce our air and GHG emissions. In China, we continuously replace our lighting by LED lamps and arrange energy-saving renovation and installation to the air conditioning system in the factories in order to save power consumption. In addition, we make good use of carpooling throughout our operations to reduce the number of vehicles in use.

Our Scope 1 and Scope 2 GHG emissions during 2018 together with the comparative figures of the previous years are indicated as the following:

GHG emission	(tons CO_2e) 2018	2017
Scope 1 (direct emissions from operation processes)	**23,096**	21,328
Scope 2 (indirect emissions from purchased energy sources such as electricity)	**108,046**	105,733
Total	**131,142**	127,061

Wastewater

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

Waste

We have implemented waste management procedures to guide proper waste segregation, storage and handling practices for waste generated from our operations. Our waste management practices encourage reduction from the source, reuse, and recycling, through the adoption of advanced technologies and the improvement of process efficiency. Any waste generated is properly handled by qualified third parties. To enable orderly transportation of our hazardous waste to disposal facilities by trucks, we adhere to a trip ticket system in accordance with the respective local regulations of the locations within which we operate. Our operations in China report on sewage treatment and hazardous waste management regularly to the State Environmental Protection Administration. Also, we encourage organic solvent suppliers to recycle and reuse empty containers to reduce the amount of hazardous waste generated.

In 2018, a total of 199 tons (2017: 274 tons) of hazardous waste and 32,053 tons (2017: 30,955) of non-hazardous waste were generated.

We have enhanced our production techniques in order to improve quality and productivity and to minimize hazardous waste generation. The production process (wave soldering) at our mainland China manufacturing operation introduces a nitrogen scheme to reduce the amount of tin slag generated. Also, we replace stain remover by electronic fluorinated cleaning solution to avoid the risk of occupational diseases to the employees and reduce the production of organic waste gas and waste organic solvent. At the same time, we work for reducing the number of defective products and improve the production of general industrial waste by improving the process and strengthening training to improve employee proficiency.

COMMITMENT TO OUR ENVIRONMENT (CONTINUED)

Emissions (Continued)

Waste (Continued)

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

Use of Resources

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

Energy

We have implemented a number of energy-saving measures. For example, our manufacturing operation in Fujian, TPV Electronics (Fujian) Co. Ltd. installed LED lamps and energy-efficient pumps are installed in the central air-conditioning system in the factory to reduce respective power consumption. Envision Indústria de Produtos Electrônicos Ltda replaced its chiller cooling system by employing air conditioning with a more efficient timer control. Lighting controls and motion sensors have been installed in the rooms to automatically turn off lights at vacant rooms for energy saving.

In 2018, TPV's direct and indirect energy consumption was as follows:

	2018	2017
Direct energy consumption		
Bitumen	**0 Tons**	0 Tons
Liquefied petroleum gases	**12,833 m^3**	11,788 m^3
Natural gas	**928,302 m^3**	893,037 m^3
Diesel oil	**66,296 Litre**	54,289 Litre
Lubricants	**598 Litre**	565 Litre
Motor gasoline	**194,997 Litre**	202,720 Litre
Indirect energy consumption		
Purchases electricity	**160,242,101 kWh**	156,101,919 kWh

Water

Water is used mainly for domestic purposes at our sites. Water conservation is one of our key performance indicators for performance assessment — we monitor our water consumption and encourage our employees to save water. At our Taipei headquarters, water saving devices have been installed in taps and toilets and there is 24-hour-hotline for reporting of any water leakage. The perlators has been installed in order to increase the optical water stream for water usage reduction in the factory in Poland.

In 2018, we consumed a total of 1.97 million m^3 (2017: 1.77 million m^3) freshwater which is approximately 71.11 m^3 (2017: 60.97 m^3) per employee. Infiltration issue was identified in the old system of Brazil site. The problem was fixed subsequently, with several new water-usage efficiency facilities installed. New hydrometers were also installed to monitor water usage and ensure any irregular increase, which may imply potential leakage problem, can be identified immediately.

Material use

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

For office administration, we strengthen the control on the use of office paper for photocopying and printing. For example, internal use or unofficial documents are requested to print on both sides. Also, we strictly control the procurement, management and use of office supplies and consumables to avoid waste.

During the year, we consumed a total of 99,937 tons (2017: 91,727 tons) of packaging materials with a packaging material intensity of 1.87 kg (2017: 2.09 kg) per unit of product.

The Environment and Natural Resources

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

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

We invest in making our facilities greener by adopting principles of land optimisation, energy and water conservation, material economization and green construction through Incorporation of sustainable design features.

COMMITMENT TO OUR ENVIRONMENT (CONTINUED)

Regulatory Compliance

The Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during 2018.

COMMITMENT TO OUR COMMUNITY

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

We uphold our commitment to the community through employee volunteering and donations in kind or in cash. Our employees contributed more than 5,500 hours (2017: 4,300 hours) in delivering community services and the Group has donated more than US$288,580 (2017: US$248,517) to support various community initiatives during the year.

Supporting the Youth

One to One Subsidization Project

In 2018, we continued to support the "One to One Subsidization" project aimed at providing education for ethnic minority students from underprivileged rural families in the Xinjiang Uyghur Autonomous Region in the PRC. The project was first initiated by the Group's chairman and CEO, Dr Hsuan, Jason in 2012 and has been operated in collaboration with the Beijing Meijiang Education Foundation. The Group has been sponsoring tuition fees for eligible students since the commencement of the project. In addition, the Group encourages its employees to foster mentorship relationships with the students by conversing through letters, gifts, video calls and visits. We arrange birthday and festival celebration parties to share love and happiness to those ethnic minority students. In 2018, this project have expanded to our sites in Beijing, Xiamen, Wuhan, Qingdao and Fuqing and reached out to around 200 (2017: 170) students.

We arranged home visit to ethnic minority students to show love and care.

Cross-strait sister schools

TPV has always believed that education is a crucial component of community empowerment. Our efforts in supporting cross-strait exchanges demonstrate our commitment. During April, the Group arranged exchange trip for teachers and students from Chongwen Elementary School in Fuqing City of Fujian Province and Xiamen No.2 Experimental Primary School in Xiamen Province to visit Zhong-He Elementary School and Taipei Yong-Le Elementary School in Taipei City, Taiwan. In November, students from Zhong-He Elementary School came to Fujing and visit Chongwen Elementary School for exchange. Participating teachers and students conducted classes and workshops to share ideas and exchange insight for future development. Such cultural exchanges propelled students towards understanding and accommodating an array of various community aspects.

During summer, we assisted Chongwen Elementary School and Zhong-He Elementary School to organize the Tee-Ball Summer Camp. The Summer Camp facilitates exchange between Taiwan and Mainland schools. Through exchange and collaboration, they can expand their network as well as enhance understanding and communication. In the process of learning Tee-Ball together, students can strengthen cultural interflow, and achieve mutual advancement.

COMMITMENT TO OUR COMMUNITY (CONTINUED)

Youth Development

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

Other support

The Group has been collaborating with a multitude of organizations by making donations to support their charitable causes, including Médecins Sans Frontières, Red Cross and Charities Foundation of Xiamen Business and Trade Association.

We believe in empowerment as an effective way to support those in need. Leveraging what we do best, we bring TV sets to the underprivileged with the intent to facilitate information exchange, learning opportunities and happiness. In Brazil, we has a social project that serves the institution "Mamãe Margarida" to donate daily supplies to the shelters. The shelters serves girls (children and adolescents), seeking to promote citizenship through dynamic activities, as well as transmitting ethical messages to contribute to growth personal and professional development of these girls.

Our operations in different regions donated toys, books, TV sets to different charities and institutes during festivals to share happiness and blessings to the children from poor community.

TPV encourages its employees in environmental and community matters. We have also arranged blood donation events in Xiamen, Qingdao and Fuqing to encourage our colleague being regular donor. Environmental conservation is an important part of sustainability development. In March 2018, Fuqing and Qingdao operations arranged tree planting programme in celebration of Arbor Day in China.

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

We have donated and supported Fujian Love Charity Day — Walking Activity held by Red Cross on 1st January 2018.

Our Qingdao operation has donated TV sets to Hongdao Centre Primary School in June 2018 for the use for school library, office and e-learning.

The Group have donated All-in-One PCs to Tainan Municipal Baihe District Siancao Elementary School during the year to improve the rural education environment.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of TPV Technology Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of TPV Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 160, which comprise:

- the consolidated balance sheet as at 31st December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

- Impairment assessment of goodwill
- Recoverability of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to Note 15 to the consolidated financial statements. The Group had goodwill of US$364 million (2017: 364 million) as of 31st December 2018, representing approximately 7.2% of the Group's total assets as at year end. Management performed goodwill impairment assessment on two operating segments in Monitors and TVs businesses and assessed their recoverable amounts based on the value-in-use calculations. This assessment involved significant judgements in adopting the underlying assumptions for the calculations. The recoverable amounts of these operating segments estimated by management exceeded their carrying values and the directors were of the opinion that no impairment was necessary as at 31st December 2018. Impairment charge, if any, may have significant impact on the Group's consolidated financial performance for the year due to the size of the goodwill.	We evaluated management's impairment assessment and the process by which they were drawn up. We also assessed the future cash flow forecasts used in the model and tested the mechanics of the underlying calculations. We evaluated the key assumptions (revenue growth and gross profit margin) adopted in the valuation based on the historical data, actual performance as well as industry data. We involved our valuation specialist to review the valuation methodology adopted and assess the valuation assumptions such as discount rate used by management in the cash flow forecasts based on market data. We evaluated the management sensitivity analysis around the key assumptions within the cash flow forecasts to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired and also considered the likelihood of such a change in those key assumptions arising. Based on our work performed, we considered the methodology used by management was appropriate and the key assumptions applied by management in the impairment were supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
Refer to Note 24 to the consolidated financial statements. As at 31st December 2018, the Group had gross trade receivables of approximately US$1,726 million (2017: US$2,065 million) and loss allowance of approximately US$104 million (2017: US$81 million). In general, the credit terms granted by the Group to the customers mainly ranged between 30 and 90 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of loss allowance based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, agreed settlement plans and business plans with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. Recognition of loss allowance, if any, may have significant impact on the Group's consolidated financial performance for the year due to the size of outstanding balances.	We inquired of management for the status of each of the material trade receivables overdue as at year end and corroborated explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding business plans with the customers, checking historical and subsequent settlement records against the agreed settlement plans with the customers up to the report date. We evaluated management's expected credit loss provisioning methodology, examined the key data inputs on a sample basis to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We recomputed the expected credit loss calculation. We checked on a sample basis the ageing profile of the trade receivables as at 31st December 2018 to the underlying financial records. We selected debtors on a sample basis and circulated auditor's confirmations to them confirming the trade receivable balances as at 31st December 2018. Where confirmations were not received from these debtors, we examined alternative supporting documents such as goods delivery notes to confirm the outstanding balances. We tested on a sample basis the settlements made by these debtors subsequent to the year end date by tracing the settlements to the corresponding bank statements. Based on our work performed, we found that the management's assessment to be supportable based on available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2018

	Note	2018 US$'000	2017 US$'000
Revenue	5	**9,147,635**	9,584,710
Cost of sales		**(8,305,635)**	(8,801,254)
Gross profit		**842,000**	783,456
Other income	6	**71,815**	57,415
Other losses, net	7	**(38,938)**	(38,431)
Selling and distribution expenses		**(394,104)**	(398,202)
Administrative expenses		**(155,185)**	(222,909)
Research and development expenses		**(176,863)**	(179,504)
Net impairment losses on financial assets		**(25,194)**	—
Operating profit	8	**123,531**	1,825
Finance income	11	**7,063**	4,647
Finance costs	11	**(46,827)**	(38,898)
Finance costs, net	11	**(39,764)**	(34,251)
Net monetary loss	9	**(12,947)**	—
Share of losses of associates and a joint venture	20, 21	**(1,915)**	(4,501)
Profit/(loss) before income tax		**68,905**	(36,927)
Income tax expenses	12	**(53,855)**	(20,863)
Profit/(loss) for the year		**15,050**	(57,790)
Profit/(loss) attributable to:			
Owners of the Company		**21,913**	(50,614)
Non-controlling interests		**(6,863)**	(7,176)
		15,050	(57,790)
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted	13	**US0.93 cent**	(US2.16 cents)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2018

	Note	2018 US$'000	2017 US$'000
Profit/(loss) for the year		**15,050**	(57,790)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Currency translation differences:			
— Group		**(8,110)**	(58,884)
— Associates and a joint venture		**(2,193)**	3,197
Release of exchange reserve to profit or loss upon closure/disposal of:			
— Subsidiaries		**1,704**	183
— Associates and a joint venture		**—**	98
Fair value gains on available-for-sale financial assets	22	**—**	279
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of pension obligations, net of tax	32	**1,203**	793
Revaluation gains on investment properties transferred from property, plant and equipment, net of tax		**—**	4,373
Fair value losses on equity investments at fair value through other comprehensive income	22	**(365)**	—
Other comprehensive loss for the year, net of tax		**(7,761)**	(49,961)
Total comprehensive income/(loss) for the year		**7,289**	(107,751)
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**14,041**	(100,574)
— Non-controlling interests		**(6,752)**	(7,177)
		7,289	(107,751)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31st December 2018

	Note	2018 US$'000	2017 US$'000
Assets			
Non-current assets			
Intangible assets	15	**530,306**	545,117
Property, plant and equipment	16	**491,276**	502,651
Land use rights	17	**16,176**	17,957
Investment properties	18	**232,260**	238,288
Investments in associates	20	**39,723**	43,838
Investment in a joint venture	21	**727**	—
Derivative financial instruments	35	**57,647**	4,289
Available-for-sale financial assets	22	**—**	3,168
Financial assets at fair value through other comprehensive income	22	**1,922**	—
Deferred income tax assets	31	**63,886**	81,519
Prepayments and other receivables	24	**39,192**	24,290
		1,473,115	1,461,117
Current assets			
Inventories	23	**1,268,409**	1,317,821
Trade receivables	24	**1,621,809**	1,983,543
Deposits, prepayments and other receivables	24	**260,561**	260,792
Financial assets at fair value through profit or loss	25	**—**	21,517
Current income tax recoverable		**17,376**	7,944
Derivative financial instruments	35	**95,715**	31,070
Pledged bank deposits	26	**2,114**	905
Short-term bank deposits	26	**33,961**	29,295
Cash and cash equivalents	26	**281,849**	450,393
		3,581,794	4,103,280
Total assets		**5,054,909**	5,564,397

CONSOLIDATED BALANCE SHEET

As at 31st December 2018

	Note	2018 US$'000	2017 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital	27	**23,456**	23,456
Other reserves	29	**1,507,290**	1,535,228
		1,530,746	1,558,684
Non-controlling interests		**(4,443)**	4,615
Total equity		**1,526,303**	1,563,299
Liabilities			
Non-current liabilities			
Borrowings	30	**355,731**	484,772
Deferred income tax liabilities	31	**41,028**	39,776
Pension obligations	32	**10,754**	12,600
Other payables and accruals	33	**118,991**	116,406
Derivative financial instruments	35	**18,888**	2,551
Provisions	34	**1,458**	1,517
		546,850	657,622
Current liabilities			
Trade payables	33	**1,805,125**	2,024,052
Other payables and accruals	33	**865,882**	958,663
Current income tax liabilities		**14,000**	14,717
Warranty and other provisions	34	**177,713**	203,520
Derivative financial instruments	35	**92,298**	45,456
Borrowings	30	**26,738**	97,068
		2,981,756	3,343,476
Total liabilities		**3,528,606**	4,001,098
Total equity and liabilities		**5,054,909**	5,564,397

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 67 to 160 were approved by the Board of Directors on 15th March 2019 and were signed on its behalf.

Dr Hsuan, Jason
Director

Dr Li Jun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2018

	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 31st December 2017	23,456	1,535,228	4,615	1,563,299
Change in accounting policies (Note 2.2)	—	(20,866)	(2,306)	(23,172)
Restated total equity as at 1st January 2018	23,456	1,514,362	2,309	1,540,127
Comprehensive income/(loss)				
Profit/(loss) for the year	—	21,913	(6,863)	15,050
Other comprehensive income/(loss) for the year, net of tax				
Fair value losses on equity investments at fair value through other comprehensive income (Note 22)	—	(365)	—	(365)
Currency translation differences				
— Group	—	(8,221)	111	(8,110)
— Associates and a joint venture	—	(2,193)	—	(2,193)
Release of exchange reserve to profit or loss upon disposal of subsidiaries	—	1,704	—	1,704
Remeasurement of pension obligations, net of tax (Note 32)	—	1,203	—	1,203
Other comprehensive income/(loss) for the year, net of tax	—	(7,872)	111	(7,761)
Total comprehensive income/(loss) for the year	—	14,041	(6,752)	7,289
Transactions with owners, recognized directly in equity				
Employee share option scheme				
— Employee share-based compensation benefits (Note 10)	—	1,535	—	1,535
2017 final dividends paid	—	(3,002)	—	(3,002)
Hyperinflationary effect (Note 29(e))	—	(19,646)	—	(19,646)
Total transactions with owners, recognized directly in equity	—	(21,113)	—	(21,113)
Balance as at 31st December 2018	23,456	1,507,290	(4,443)	1,526,303

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2018

	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance as at 1st January 2017	23,456	1,645,599	11,792	1,680,847
Comprehensive loss				
Loss for the year	—	(50,614)	(7,176)	(57,790)
Other comprehensive loss for the year, net of tax				
Currency translation differences				
— Group	—	(58,883)	(1)	(58,884)
— Associates and a joint venture	—	3,197	—	3,197
Release of exchange reserve to profit or loss upon disposal/closure of				
— A subsidiary	—	183	—	183
— An associate and a joint venture	—	98	—	98
Fair value gains on available-for-sale financial assets	—	279	—	279
Remeasurement of pension obligations, net of tax (Note 32)	—	793	—	793
Revaluation gains on investment properties transferred from property, plant and equipment, net of tax	—	4,373	—	4,373
Other comprehensive loss for the year, net of tax	—	(49,960)	(1)	(49,961)
Total comprehensive loss for the year	—	(100,574)	(7,177)	(107,751)
Transactions with owners, recognized directly in equity				
Employee share option scheme				
— Employee share-based compensation benefits (Note 10)	—	1,697	—	1,697
2016 final dividends paid	—	(11,494)	—	(11,494)
Total transactions with owners, recognized directly in equity	—	(9,797)	—	(9,797)
Balance as at 31st December 2017	23,456	1,535,228	4,615	1,563,299

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	37	**269,234**	(43,687)
Interest paid		**(42,007)**	(33,550)
Income tax paid		**(49,720)**	(36,847)
Net cash generated from/(used in) operating activities		**177,507**	(114,084)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment and land use rights	37	**4,672**	2,752
Purchase of property, plant and equipment and investment properties		**(130,629)**	(102,867)
Purchase of intangible assets		**(1,666)**	(1,479)
Proceeds from financial assets at fair value through other comprehensive income		**89**	—
Proceeds from disposal of financial assets at fair value through profit or loss		**57,926**	41,020
Purchase of financial assets at fair value through profit or loss		**(31,520)**	(25,573)
Proceed from disposal of an associate and a joint venture		**—**	5,363
Capital reduction of an associate		**—**	4,928
Interest received		**8,454**	4,357
Changes in short-term bank deposits		**(6,006)**	28,695
Investment in a joint venture		**(720)**	—
Net cash used in investing activities		**(99,400)**	(42,804)
Cash flows from financing activities			
Repayment of long-term loans		**—**	(96,519)
Net (repayment)/inception of long-term bank borrowings		**(123,480)**	113,575
Net (repayment)/inception of short-term bank borrowings		**(71,222)**	28,206
Net payment of payables under discounting arrangements		**(43,446)**	(39,486)
Dividends paid to owners of the Company		**(3,002)**	(11,494)
Net cash used in financing activities		**(241,150)**	(5,718)
Net decrease in cash and cash equivalents		**(163,043)**	(162,606)
Cash and cash equivalents at beginning of the year		**450,393**	601,280
Currency translation differences		**(15,935)**	11,719
Cash and cash equivalents at end of the year	26	**271,415**	450,393

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") design, manufacture and sell computer monitors, flat TV products and other display products. The Group manufactures mainly in the People's Republic of China (the "PRC"), Europe and Latin America and sells to Europe, the PRC, North and South America, Asian countries and the rest of the world.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Exchange") and secondary listing on Singapore Exchange Limited.

These financial statements are presented in US dollars, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO
The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(b) Historical cost convention
The consolidated financial statements have been prepared on a historical cost basis except for the following:

- financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss (including derivative financial instruments) measured at fair value,
- contingent consideration payable measured at fair value,
- investment properties measured at fair value,
- defined benefit pension plans — plan assets measured at fair value, and
- adjustments for the effects of inflation where an entity operates in a hyperinflationary economy.

(c) New and amended standards adopted by the Group
The Group has applied the following new standards and amendments to standards for the first time for their annual reporting period commencing 1st January 2018:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) New and amended standards adopted by the Group (Continued)

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15 as disclosed in Note 2.2. Most of the other amendments to standards and interpretation listed above are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31st December 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle	1st January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1st January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1st January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1st January 2019
HKFRS 16	Leases	1st January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1st January 2019
Amendments to HKFRS 3 (Revised)	Definition of a business	1st January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1st January 2020
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" — effective for financial years beginning on or after 1st January 2019

Nature of change

HKFRS 16 will result in almost all leases being recognized on the balance sheet by lessees, 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. In the consolidated income statement, rental expenses are not recognized while amortization arising from the right-of-use assets and interest expense on the lease liabilities are recognized.

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 an 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) New standards and interpretations not yet adopted (Continued)

Date of adoption by Group
The Group will apply the standard from its mandatory adoption date of 1st January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the prior reporting periods.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements.

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 consolidated 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 detail by standard below.

Consolidated 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
Warranty and other provisions	203,520	—	(5,545)	197,975
Equity				
Retained profits	770,312	(19,208)	(1,658)	749,446
Non-controlling interests	4,615	(2,306)	—	2,309

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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, derecognition of financial instruments and impairment of financial assets.

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

	Note	Retained profits US$'000	Non-controlling interests US$'000
Closing balance at 31st December 2017 — HKAS 39		770,312	4,615
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(i)	—	—
Increase in loss allowance for financial assets	(ii)	(19,208)	(2,306)
Adjustment to equity from the adoption of HKFRS 9		(19,208)	(2,306)
Opening balance at 1st January 2018 — HKFRS 9		**751,104**	**2,309**

(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 equity investments previously classified as available-for-sale financial assets in other comprehensive income in the consideration that these investments are held as long-term strategic investments and are not expected to be sold in the short to medium term.

The impact of the reclassification on the Group's consolidated balance sheet is as follows:

	Available-for-sale financial assets US$'000	Financial assets at fair value through other comprehensive income US$'000
Closing balance at 31st December 2017 — 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 at 1st January 2018 — HKFRS 9	**—**	**3,168**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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
Closing balance at 31st December 2017 — 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 at 1st January 2018 — HKFRS 9	**—**	**950**

Reclassification of financial instruments on adoption of HKFRS 9

On the date of initial application, 1st January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original (HKAS 39) US$'000	New (HKFRS 9) US$'000	Difference US$'000
Non-current financial assets					
Equity securities	Available-for-sale	Fair value through other comprehensive income	3,168	3,168	—
Current financial assets					
Trade receivables	Amortized cost	Amortized cost	1,983,543	1,962,029	(21,514)

(ii) *Impairment of financial assets*

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

- Trade receivables; and
- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's opening retained profits and equity is disclosed in the table in Note 29.

While other receivables, cash and cash equivalent, short-term bank deposits and pledged bank deposits are also subject to the impairment requirement of HKFRS 9, the identified impairment loss, if any, was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 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 measure the expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. This resulted in an increase of loss allowance on 1st January 2018 by US$21,514,000 for trade receivables. Note 3.1(b) provides for details about the assessments of the allowance.

(b) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption
HKFRS 15 replaces HKAS 18 Revenue 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:

	Retained profits US$'000
Closing balance at 31st December 2017 — after HKFRS 9 restatement	751,104
Increase in contract liabilities related to unsatisfied performance obligation	(1,658)
Opening balance at 1st January 2018 — HKFRS 9 and HKFRS 15	**749,446**

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 the consolidated balance sheet as at 1st January 2018 and are expected to be realized as revenue over the service period.

Under HKFRS 15, certain shipping arrangements are recognized as revenue once separate performance obligations are identified. The shipping costs directly fulfiling shipping arrangements are then recognized in the consolidated income statement. During the year ended 31st December 2018, cost of shipping services of US$29,650,000 was reclassified from 'selling and distribution expenses' to 'costs of sales'.

2.3 Principles of consolidated and equity accounting

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

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidated and equity accounting (Continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost.

(c) Joint arrangements

Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has a joint venture.

Joint venture

Interest in a joint venture is accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated balance sheet.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.12.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Separate financial statements

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

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

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The board of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Group, and makes strategic decisions. The steering committee, which has been identified as being the CODM, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statements, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statements on a net basis within other losses, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of foreign entities, which do not have the currency of a hyperinflationary economy and have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

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

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

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

The results and the financial position of group entity which is accounted for as entity operating in a hyperinflationary economy and that has a functional currency different from the presentation currency of the Group are translated into the presentation currency at the closing rate at the date of the balance sheet.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Hyperinflation

The results and the financial position, including comparative amounts, of group entity whose functional currency is the currency of a hyperinflationary economy are adjusted in terms of the measuring unit current at the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Hyperinflation (Continued)

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current year. Differences between these comparative amounts and the hyperinflation adjusted equity opening balances are recognized directly in equity.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognized in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

Gains or losses on the net monetary position are recognized in the consolidated income statement.

All items recognized in the consolidated income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of owners' equity, except retained profits, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognized directly in equity. Restated retained profits are derived from the residual amounts in the restated balance sheet.

At the end of the first period and in the subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the consolidated statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

2.8 Property, plant and equipment

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (Continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

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

2.9 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery, installation, testing and other direct costs. No depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.8 above.

2.10 Investment properties

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

(c) Software

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

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

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

Capitalized development costs are recorded as intangible form the point at which the asset is ready for use.

(d) Other intangible assets

Other intangible assets, other than goodwill represent mainly contractual customer relationships.

(e) Amortization methods and periods

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

• Trademarks	4–10 years
• Software	3–5 years
• Other intangible assets	1–3 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.13 Investments and other financial assets

(a) Accounting policies applied from 1st January 2018

(i) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) 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.

2.13 Investments and other financial assets (Continued)

(a) Accounting policies applied from 1st January 2018 (Continued)

(iii) 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. The Group classified its debt instruments as financial assets at amortized cost.

- Financial assets at amortized cost

  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, net, together with foreign exchange gains and losses. Impairment losses are presented in separate line item in the consolidated income statement.

- Financial assets at fair value through profit or loss

  Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other losses, net in the period in which it arises.

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, net in the consolidated 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.

(iv) Impairment

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.

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. See Note 3.1(b) and Note 24 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investments and other financial assets (Continued)

(b) Accounting policies applied until 31st December 2017

(i) Classification

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31st December 2017, the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. The Group has not elected to designate any financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit and loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investments and other financial assets (Continued)

(b) Accounting policies applied until 31st December 2017 (Continued)

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above Note 2.13(a)(iii).

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognized as follows:

- for financial assets at fair value through profit or loss — in profit or loss within other income or other expenses;
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortized cost of the security are recognized in profit or loss and other changes in the carrying amount are recognized in other comprehensive income;
- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investments and other financial assets (Continued)

(b) Accounting policies applied until 31st December 2017 (Continued)

(iii) Measurement (Continued)

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the other losses, net. Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognized in the consolidated income statement as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortized cost

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

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

Impairment testing of trade receivables is described in Note 3.1(b)(ii) and Note 24.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investments and other financial assets (Continued)

(b) Accounting policies applied until 31st December 2017 (Continued)

(iv) Impairment (Continued)

Assets classified as available-for-sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss.

Impairment losses on equity instruments that were recognized in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported in the consolidated balance sheet where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Derivative financial instruments which do not qualify for hedge accounting

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

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

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

2.16 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 90 days and therefore are all classified as current.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 2.13 for further information about the Group's accounting for trade and other receivables for a description of the Group's impairment policies.

2.18 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade, other payables and accruals

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowings (Continued)

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated income statement as other income or finance costs.

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

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax (Continued)

Investment allowances and similar tax incentives
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed tax credits that are carried forward as deferred tax assets.

2.23 Employee benefits

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Employee benefits (Continued)

(b) Termination benefits

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

(c) Profit-sharing and bonus plans

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

(d) Employee leave entitlements

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

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

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Share-based payments (Continued)

(b) Share-based payment transactions among group entities

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

(c) Social security contributions on share options gains

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

2.25 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.26 Revenue recognition

(a) 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.

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.

(b) Sales of services — shipping arrangement and warranty services

The Group provides shipping services and warranty services in addition to 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (Continued)

(b) Sales of services — shipping arrangement and warranty services (Continued)

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.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

(c) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.27 Interest income

Interest income from financial assets at fair value through profit and loss is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at fair value through other comprehensive income (2017: loans and receivables and available-for-sale financial assets) calculated using the effective interest method is recognized in the consolidated income statement as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income (2017: from financial assets at fair value through profit or loss and available-for-sale financial assets). Dividends are recognized as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income. However, the investment may need to be tested for impairment as a consequence.

2.29 Government grants

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

2.30 Research and development costs

Research costs are expensed as incurred.

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

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

2.31 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

2.32 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Leases (Continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

2.33 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined as the present value of the difference in cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2.34 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

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

Management has set up a policy requiring group companies to manage their foreign exchange risk against their functional currencies. Entities in the Group manage the amount of financial assets and liabilities denominated in foreign currencies together with the use of foreign exchange derivatives contracts including forwards, options and cross currency interest rate swaps, to manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

The analysis has been determined by using hypothetical change in foreign exchange rates against US$ with reference to banks' forecast available, and that all other variables remain constant. The potential effects on profit or loss include the impacts from translation on assets or liabilities recognized, which are not denominated in functional currency of respective group company, and fair value changes in outstanding foreign exchange derivative as at the balance sheet date (as set out in Note 35). The fair value of derivatives were projected based on actual fair values change resulted from actual foreign exchange rate changes subsequent to the balance sheet date. Management considered the terms of these derivatives include non-linearity relationship with the hypothetical changes in foreign exchange rates, therefore the projected effects arising from derivatives fair value change might be different from the actual outcome.

	2018		2017	
In US$'000	**Hypothetical change in foreign exchange rate**	**Positive/ (negative) effect on profit or loss (US$'000)**	Hypothetical change in foreign exchange rate	Positive/ (negative) effect on profit or loss (US$'000)
Renminbi	**5%**	**(4,680)**	2%	(3,835)
Euro	**5%**	**(238)**	5%	(431)
Brazilian real	**10%**	**8,308**	5%	3,828
Russian ruble	**15%**	**3,231**	5%	365
Argentine peso (note)	**-20%**	**(2,140)**	−10%	(770)

Note: The effect on profit or loss excluded the hyperinflationary effect on the basis of hypothetical change in foreign exchange rate.

(a) Market risk (Continued)

(ii) Price risk

The Group's investments in equity securities classified as at fair value through other comprehensive income are exposed to price risk. The Group maintains these equity securities investments both for trading and long-term strategic purposes.

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

The management is of the opinion that the Group has minimal exposure to the price risk as at 31st December 2018 and 2017.

(iii) Interest rate risk

The Group has no significant interest-bearing assets except for cash at bank and bank deposits, which earn low interest income. The Group's exposures to changes in interest rates are mainly attributable to its borrowings and cross currency interest rate swaps. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates and the cross currency interest rate swaps expose the Group to cash flow interest rate risk of the interest receipt at floating rate. Details of the Group's borrowings have been disclosed in Note 30 and Note 35, respectively.

As at 31st December 2018, if interest rates on borrowings and cross currency interest rate swaps had been 90 basis points (2017: 70 basis points) higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been US$135,000 higher/lower (2017: post-tax loss US$3,444,000 higher/lower), mainly as a result of higher/lower interest expenses on borrowings and higher/lower interest income on cross currency interest rate swaps which bear floating interest rates.

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortized cost and at fair value through other comprehensive income, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers and debtors, including trade and other receivables.

Credit risk is managed on a group basis. Management has policies in place to monitor the exposures to these credit risks on an on-going basis. The Group also uses trade receivables factoring facilities to manage the credit risk of its trade debtors. As at 31st December 2018, trade receivables of approximately US$316,941,000 (2017: US$300,793,000) was subject to non-recourse factoring arrangements. Correspondingly, an amount of US$28,006,000 (2017: US$24,038,000) due from six (2017: four) financial institutions is included in 'deposits, prepayments and other receivables' under non-recourse factoring arrangement which expected to receive from the financial institutions upon the settlement from customers; while no trade receivables was subjected to recourse factoring arrangement in 2018 and 2017.

As at 31st December 2018 and 2017, majority of the cash at bank, derivative financial instruments and deposits with banks and financial institutions are deposited or traded with financial institutions with investment grade credit rating.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Concentration risk

The Group has put in place policies to ensure that sales are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. With regard to the ageing analysis and relevant credit risk of trade and other receivables, please refer to Note 3.1(b)(ii).

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

	2018 US$'000	2017 US$'000
Counterparties		
Customer A	**178,385**	206,651
Customer C	**139,538**	147,661
Customer B	**133,238**	199,414
Customer F	**100,156**	N/A
Customer D	**81,177**	97,759
Customer E	**N/A**	75,020
	632,494	726,505

(ii) Impairment of financial assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance 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 expected loss rates are based on the payment profiles of sales over a period of 36 month before 31st December 2018 or 1st January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowance as at 31 December 2018 was determined as follows:

	Current US$'000	1-30 days past due US$'000	31-60 days past due US$'000	61-90 days past due US$'000	Over 90 days past due US$'000	Total US$'000
Europe						
Gross carrying amount	534,854	21,357	1,685	777	10,966	569,639
Loss allowance	(300)	(208)	(73)	(143)	(9,088)	(9,812)
Lifetime expected credit loss rate	0.1%	1%	4%	18%	83%	
The PRC						
Gross carrying amount	401,054	2,020	1,196	1,473	84,178	489,921
Loss allowance	(3,485)	(957)	(965)	(1,369)	(78,794)	(85,570)
Lifetime expected credit loss rate	1%	47%	81%	93%	94%	
North America						
Gross carrying amount	305,424	10,025	658	1	632	316,740
Loss allowance	—	—	—	—	(164)	(164)
Lifetime expected credit loss rate	—	—	—	—	26%	
South America						
Gross carrying amount	151,643	6,986	3,789	8,126	5,186	175,730
Loss allowance	(2,251)	(659)	(383)	(881)	(1,701)	(5,875)
Lifetime expected credit loss rate	1%	9%	10%	11%	33%	
Rest of the world						
Gross carrying amount	163,107	6,388	974	33	3,260	173,762
Loss allowance	—	—	—	—	(2,562)	(2,562)
Lifetime expected credit loss rate	—	—	—	—	79%	
Total						
Gross carrying amount	1,556,082	46,776	8,302	10,410	104,222	1,725,792
Loss allowance	(6,036)	(1,824)	(1,421)	(2,393)	(92,309)	(103,983)
Lifetime expected credit loss rate	0.4%	4%	17%	23%	89%	

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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

	Current US$'000	1–30 days past due US$'000	31–60 days past due US$'000	61–90 days past due US$'000	Over 90 days past due US$'000	Total US$'000
Europe						
Gross carrying amount	359,694	25,785	1,422	755	11,876	399,532
Loss allowance	(344)	(95)	(53)	(106)	(10,460)	(11,058)
Lifetime expected credit loss rate	0.1%	0.4%	4%	14%	88%	
The PRC						
Gross carrying amount	545,801	19,451	1,093	3,891	130,315	700,551
Loss allowance	(8,517)	(3,317)	—	(1,904)	(66,162)	(79,900)
Lifetime expected credit loss rate	2%	17%	—	49%	51%	
North America						
Gross carrying amount	355,512	1,829	450	365	673	358,829
Loss allowance	—	—	—	—	(134)	(134)
Lifetime expected credit loss rate	—	—	—	—	20%	
South America						
Gross carrying amount	263,818	20,311	26,985	3,573	3,193	317,880
Loss allowance	(3,913)	(963)	(721)	(247)	(1,667)	(7,511)
Lifetime expected credit loss rate	1%	5%	3%	7%	52%	
Rest of the world						
Gross carrying amount	268,625	11,694	2,629	344	4,846	288,138
Loss allowance	—	—	—	—	(4,298)	(4,298)
Lifetime expected credit loss rate	—	—	—	—	89%	
Total						
Gross carrying amount	1,793,450	79,070	32,579	8,928	150,903	2,064,930
Loss allowance	(12,774)	(4,375)	(774)	(2,257)	(82,721)	(102,901)
Lifetime expected credit loss rate	1%	6%	2%	25%	55%	

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

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
Loss allowance 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 at 1st January 2018 — HKFRS 9	102,901
Increase in loss allowance recognized in profit and loss during the year	24,853
Receivables written off during the year as uncollectible	(19,377)
Exchange differences	(4,394)
Loss allowance at 31st December 2018	**103,983**

(c) Liquidity risk

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

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed banking facilities (Note 30) so that the Group does not breach borrowing limits or covenants (where applicable) on its banking facilities.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group holds cash and cash equivalents of US$281,849,000 (2017: US$450,393,000) (Note 26), short-term bank deposits of US$33,961,000 (2017: US$29,295,000) (Note 26) and trade receivables of US$1,621,809,000 (2017: US$1,983,543,000) (Note 24) that are expected to generate cash inflows for managing liquidity risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total US$'000
At 31st December 2018					
Borrowings	**26,738**	**355,731**	**—**	**—**	**382,469**
Interest payments on borrowings	**13,275**	**7,344**	**—**	**—**	**20,619**
Trade payables	**1,805,125**	**—**	**—**	**—**	**1,805,125**
Other payables and accruals	**634,001**	**72,996**	**47,876**	**31,270**	**786,143**
Derivative financial instruments	**728**	**—**	**—**	**—**	**728**
At 31st December 2017					
Borrowings and loans	97,068	123,135	361,637	—	581,840
Interest payments on borrowings and loans	13,124	11,725	5,583	—	30,432
Trade payables	2,024,052	—	—	—	2,024,052
Other payables and accruals	713,104	60,245	55,745	31,068	860,162
Derivative financial instruments	21,360	—	—	—	21,360

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Total US$'000
At 31st December 2018				
Foreign exchange forward contracts and cross currency swaps				
— Inflow	**4,238,228**	**2,501,489**	**413,017**	**7,152,734**
— Outflow	**4,225,576**	**2,479,143**	**383,116**	**7,087,835**
At 31st December 2017				
Foreign exchange forward contracts				
— Inflow	2,108,377	204,290	—	2,312,667
— Outflow	2,103,384	202,551	—	2,305,935

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to

- safeguard the Group's ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Except for the compliance of certain financial covenants for maintaining the Group's banking facilities and borrowings, the Group is not subject to any externally imposed capital requirements. The Group complied with the financial covenants attached to borrowings as at 31st December 2018.

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

The gearing ratios at 31st December 2018 and 2017 were as follows:

	2018 **US$'000**	2017 US$'000
Total borrowings (Note 30)	**382,469**	581,840
Payables under discounting arrangement (Note 33)	**220,585**	264,031
Total debts	**603,054**	845,871
Total assets	**5,054,909**	5,564,397
Gearing ratio	**11.9%**	15.2%

3.3 Fair value estimation

The table below analyzes financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31st December 2018 and 2017. Refer to Note 18 for disclosures of the investment properties that are measured at fair value.

	31st December 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	**1,043**	**—**	**879**	**1,922**
Derivative financial instruments	**—**	**153,362**	**—**	**153,362**
	1,043	**153,362**	**879**	**155,284**
Liabilities				
Derivative financial instruments	**—**	**(111,186)**	**—**	**(111,186)**
Other payable — contingent consideration payable	**—**	**—**	**(2,847)**	**(2,847)**
	—	**(111,186)**	**(2,847)**	**(114,033)**

	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
Derivative financial instruments	—	35,359	—	35,359
	1,409	35,359	23,276	60,044
Liabilities				
Derivative 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 year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31st December 2018:

	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
Opening balance	1,759	—	21,517	(5,994)
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(1,759)	1,759	—	—
Disposal	—	(89)	(21,517)	—
Fair value gain	—	1	—	3,600
Unwinding of interests	—	—	—	(453)
Exchange differences	—	(792)	—	—
Closing balance	—	879	—	(2,847)
Total fair value gain for the year included in consolidated income statement, under "other losses, net"	—	—	—	3,600
Total fair value gain for the year included in other comprehensive income	—	1	—	—

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31st December 2017:

	Available-for-sale financial assets Note (i) US$'000	Financial assets at fair value through profit or loss Note (ii) US$'000	Other payable — contingent consideration payable Note (iii) US$'000
Opening balance	3,737	20,144	(2,889)
Disposal	(1,541)	—	—
Fair value gain/(loss)	—	1,373	(2,323)
Unwinding of interests	—	—	(782)
Exchange differences	(437)	—	—
Closing balance	1,759	21,517	(5,994)
Total fair value gain/(loss) for the year included in consolidated income statement, under "other losses, net"	—	1,373	(2,323)
Total fair value loss for the year included in other comprehensive income	—	—	—

Notes:

(i) The majority of financial assets at fair value through other comprehensive income or available-for-sales comes from the equity securities in Argentina. The Government of Argentina has implemented certain policies to demand companies doing businesses in Argentina to balance their imports with exports to enhance international trade balance. The Argentina subsidiary of the Group has therefore invested in an investment vehicle to comply with the international trade requirements in Argentina since July 2012. This investment vehicle mainly pursues underlying investments to enhance the exports of Argentina. The underlying investments mainly comprise cash, temporary investments in a guaranteed fund, a mine and other assets. The fair value of the investments was determined based on discounted cash flow.

(ii) The fair value measurement assumption of financial assets at fair value through profit or loss is based on their current bid prices in the active market.

(iii) The valuation of contingent consideration payable primarily is based on the projected revenue of TP Vision Holding B.V. (a subsidiary of the Company) and its subsidiaries (collectively "TP Vision Group") and the adjusted operating profits of the Group's TVs segment. The key assumptions adopted in the long term projections include 3.0%–5.0% 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.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(d) Fair value of financial assets and liabilities measured at amortized cost
The fair values of the trade and other receivables, pledged bank deposits, short-term bank deposits with original maturities over 3 months, trade payables, borrowings and other payables and accruals (excluding contingent consideration payable) as at 31st December 2018 approximate their carrying amounts due to their short term maturities.

The fair values of the borrowings (including bank overdraft and borrowings) as at 31st December 2018 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

3.4 Offsetting financial assets and financial liabilities

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

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

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

	Gross and net amounts of financial assets/ (liabilities) presented in the balance sheet US$'000	Related amounts not set off in balance sheet US$'000	Net amount US$'000
As at 31st December 2018			
Derivative financial assets	**153,362**	**(20,944)**	**132,418**
Derivative financial liabilities	**(111,186)**	**20,944**	**(90,242)**
Total	**42,176**	**—**	**42,176**
As at 31st December 2017			
Derivative financial assets	35,359	(19,403)	15,956
Derivative financial liabilities	(48,007)	19,403	(28,604)
Total	(12,648)	—	(12,648)

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

(a) Current and deferred income tax

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

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

(b) Warranty provision

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within an average period ranging from twelve to thirty-six months. Significant judgement is required in determining the warranty expenses. The Group estimates the warranty expenses based on the actual repair and replacement costs incurred for the products sold in the last thirty-six months. Where the warranty expenses incurred are different from the original provision, such difference would impact the consolidated income statement in the period in which the warranty expenses are incurred.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.11(a) and 2.12. The recoverable amounts of CGUs have been determined based on value-in-use calculations. The underlying assumptions adopted in these calculations required the use of judgements and estimates (Note 15).

During the year ended 31st December 2018, no impairment loss was recognized for monitors and TVs business (2017: US$30,000,000 for TVs business).

(d) Pending litigations

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

(e) Impairment of financial assets

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 Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(f) Net realizable value of inventories

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

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

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

Impairment losses of US$20,576,000 (2017: Nil) for intangible assets (trademarks) were recognized during the year ended 31st December 2018, resulting in the carrying amount being written down to its recoverable amount. No impairment losses were recognized for the years ended 31st December 2018 and 2017. Refer to Note 15 for further details.

(h) Fair value of derivatives

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

(i) Payables for trademark license and royalty

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

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

(j) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognized in the consolidated income statement. It obtains independent valuations at least annually. At the end of each reporting period, management updates its assessment of the fair value of each property, taking into account the most recent independent valuations. Refer to Note 18 for the assumptions, valuation techniques and fair value measurement of investment properties.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(k) Contingent consideration payable

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

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

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

(l) Hyperinflation

The Group exercises judgment in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, joint arrangements and associates is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account to assess whether an economy is hyperinflationary or not. These characteristics include, but are not limited to, the following:

- The general population prefer to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Argentina is assessed to be a hyperinflationary economy based on the fact that the three-year cumulative inflation exceeded 100% during the year ended 31st December 2018. Based on this assessment, the Group has applied HKAS 29 "Financial Reporting in Hyperinflationary Economies" for the activities of the Argentine subsidiary from 1st January 2018 onwards. Accordingly, the results and financial position of the Group's Argentine subsidiary have been expressed in terms of the current measuring units at the reporting date.

The general price indices, as published by The National Institute of Statistics and Censuses of Argentina ("INDEC"), were used in adjusting the historical cost local currency results and financial position of the Group's Argentine subsidiary.

The general price indices are as follows:

As at 31st December 2017	125
As at 31st December 2018	184

An adjustment factor for the current reporting period ranging from 1.0 to 1.5 was applied to restate the results of the Argentine subsidiary. As at 31st December 2018, the cumulative three-year inflation rate was 148%.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the CODM, Dr Hsuan, Jason, Chairman and Chief Executive Officer of the Company, that are used to make strategic decisions and resources allocation.

The Group's businesses are managed according to the nature of their operations and the products and services they provide.

The Group is organized on a worldwide basis into three main operating segments: (i) Monitors; (ii) TVs; and (iii) Others. Others mainly comprise the sales of audio and video products, 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 a joint venture, net monetary loss and unallocated income and expenses are not included in the result for each of the operating segment that is reviewed by the Group's CODM.

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

Segment assets consist primarily of intangible assets, property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables, and derivative financial assets. They exclude investment properties, investments in associates, investment in a joint venture, financial assets at fair value through other comprehensive income, 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 consolidated income statement and is categorized according to the final destination of shipment.

The following tables present revenue and adjusted operating profit/(loss) information regarding the Group's reportable segments for the years ended 31st December 2018 and 2017 respectively.

	For the year ended 31st December 2018			
	Monitors	TVs	Others	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	5,080,083	3,651,838	415,714	9,147,635
Adjusted operating profit/(loss)	184,072	(50,920)	(36,340)	96,812
Depreciation of property, plant and equipment	(48,311)	(72,733)	(270)	(121,314)
Amortization of land use rights	—	—	(479)	(479)
Amortization of intangible assets	(7,090)	(50,715)	(12,053)	(69,858)
Net impairment losses on financial assets	—	(25,194)	—	(25,194)
Impairment losses on trademarks	—	(9,000)	(11,576)	(20,576)
Capital expenditure	(38,832)	(85,874)	(74,257)	(198,963)

5 SEGMENT INFORMATION (CONTINUED)

	For the year ended 31st December 2017			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue	4,870,960	4,234,168	479,582	9,584,710
Adjusted operating profit/(loss)	170,603	(195,106)	9,577	(14,926)
Depreciation of property, plant and equipment	(42,950)	(69,318)	(1,047)	(113,315)
Amortization of land use rights	—	—	(497)	(497)
Amortization of intangible assets	(7,219)	(47,584)	(4,301)	(59,104)
Release of trademark license fee payable	—	12,566	—	12,566
Provision for impairment of trade receivables	—	(68,245)	—	(68,245)
Impairment loss on goodwill	—	(30,000)	—	(30,000)
Capital expenditure	(38,346)	(208,814)	(19,141)	(266,301)

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

	As at 31st December 2018			
	Monitors US$'000	**TVs US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**2,244,938**	**1,958,197**	**151,011**	**4,354,146**

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

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

	2018 US$'000	2017 US$'000
Adjusted operating profit/(loss) for reportable segments	**96,812**	(14,926)
Unallocated income	**46,661**	31,423
Unallocated expenses	**(19,942)**	(14,672)
Operating profit	**123,531**	1,825
Finance income	**7,063**	4,647
Finance costs	**(46,827)**	(38,898)
Net monetary loss	**(12,947)**	—
Share of losses of associates and a joint venture	**(1,915)**	(4,501)
Profit/(loss) before income tax	**68,905**	(36,927)

5 SEGMENT INFORMATION (CONTINUED)

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

	As at 31st December	
	2018	2017
	US$'000	US$'000
Segment assets	**4,354,146**	4,664,427
Investment properties	**232,260**	238,288
Investments in associates	**39,723**	43,838
Investment in a joint venture	**727**	—
Financial assets at fair value through other comprehensive income	**1,922**	—
Available-for-sale financial assets	**—**	3,168
Deferred income tax assets	**63,886**	81,519
Financial assets at fair value through profit or loss	**—**	21,517
Current income tax recoverable	**17,376**	7,944
Pledged bank deposits	**2,114**	905
Short-term bank deposits	**33,961**	29,295
Cash and cash equivalents	**281,849**	450,393
Other unallocated assets	**26,945**	23,103
Total assets	**5,054,909**	5,564,397

The analysis of revenue by geographical area is as follows:

	2018	2017
	US$'000	US$'000
Europe	**3,169,832**	2,788,203
The PRC	**2,107,568**	2,655,756
North America	**2,144,778**	2,360,393
South America	**747,322**	825,704
Rest of the world	**978,135**	954,654
	9,147,635	9,584,710

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

	As at 31st December	
	2018	2017
	US$'000	US$'000
The PRC	**644,125**	669,430
Europe	**135,905**	174,205
North America	**10,524**	11,253
South America	**45,331**	47,383
Rest of the world	**474,583**	445,580
	1,310,468	1,347,851

6 OTHER INCOME

	2018 US$'000	2017 US$'000
Fiscal refund, government grant and technical innovation subsidy (Note)	**46,661**	31,424
Income from sales of scrap materials	**5,455**	4,185
Rental income	**15,913**	14,178
Miscellaneous income	**3,786**	7,628
	71,815	57,415

Note:

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

7 OTHER LOSSES, NET

	2018 US$'000	2017 US$'000
Realized and unrealized gains/(losses) on derivative financial instruments — net	**39,900**	(99,193)
Net exchange (losses)/gains	**(66,534)**	58,800
Impairment loss on goodwill	**—**	(30,000)
Impairment losses on trademarks (Note 15)	**(20,576)**	—
Fair value gains on financial assets at fair value through profit or loss	**—**	1,373
Net fair value (losses)/gains on revaluation of investment properties (Note 18)	**(1,253)**	13,617
Gains on disposal of property, plant and equipment and land use right — net	**2,642**	819
Gains on disposal of financial assets at fair value through profit or loss	**4,987**	5,312
Gain/(loss) on remeasurement of contingent consideration payable	**3,600**	(2,323)
(Losses)/gains on disposal of subsidiaries — net	**(1,704)**	646
Losses on disposal of associates and a joint venture — net	**—**	(48)
Release of trademark license fee payable	**—**	12,566
	(38,938)	(38,431)

8 OPERATING PROFIT

The following items have been charged to the operating profit during the year:

	2018 US$'000	2017 US$'000
Cost of inventories	**7,599,061**	8,060,050
Employee benefit expenses (including directors' emoluments) (Note 10)	**535,486**	514,106
Amortization of intangible assets (Note 15)	**69,858**	59,104
Depreciation of property, plant and equipment (Note 16)	**121,314**	113,315
Amortization of land use rights (Note 17)	**479**	497
Operating lease rental for land, buildings and machinery	**19,924**	18,699
Auditor's remuneration (Note (i))		
— Audit services	**4,232**	4,321
— Non-audit services	**1,116**	1,286
Provision for impairment of trade receivables (Note (ii))	**—**	68,245
Provision for impairment of other receivables (Note (ii))	**—**	215
Net impairment losses on financial assets (Note (ii))	**25,194**	—
Charge for warranty provision (Note 34)	**127,593**	165,869
Royalty expense	**49,906**	64,060
Provision for restructuring and other provisions (Note 34)	**198**	3,256
Write-off of value-added tax recoverable	**—**	900
Donations	**289**	249

Notes:

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

(ii) With effect from 1st January 2018, loss allowance on trade and other receivables will be separately disclosed as 'net impairment losses on financial assets'.

9 NET MONETARY LOSS

Argentina is assessed to be a hyperinflationary economy based on the fact that the cumulative inflation for the three years ended 30th June 2018 exceeds 100%. Based on this assessment, the Group has applied HKAS 29 "Financial Reporting in Hyperinflationary Economies" for the activities of the Argentine subsidiary from 1st January 2018 onwards. Accordingly, the results and financial position of the Group's Argentine subsidiary have been expressed in terms of the current measuring units at the reporting date.

Current year impact on monetary balance for the change in price index amounting to US$12,947,000 was recognized as 'net monetary loss' in the consolidated income statement.

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 US$'000	2017 US$'000
Wages, salaries and welfare	**518,877**	501,873
Termination benefits	**6,351**	2,789
Share options granted to a director and employees	**1,535**	1,697
Pension costs — defined contribution plans	**7,097**	5,970
Pension costs — defined benefit plan (Note 32)	**1,626**	1,777
	535,486	514,106

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2017: one) director whose emoluments are reflected in the analysis shown in Note 42.

The emoluments payable to the remaining four (2017: four) individuals during the year are as follows:

	2018 US$'000	2017 US$'000
Basic salaries, housing allowances and other benefits in kind	**2,707**	2,624
Discretionary bonuses	**244**	210
	2,951	2,834

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK dollar)		
HK$4,000,001 to HK$4,500,000 (equivalent to US$510,303 to US$574,089)	**1**	1
HK$5,000,001 to HK$5,500,000 (equivalent to US$637,878 to US$701,665)	**—**	1
HK$5,500,001 to HK$6,000,000 (equivalent to US$701,666 to US$765,453)	**1**	1
HK$6,500,001 to HK$7,000,000 (equivalent to US$829,241 to US$893,028)	**2**	1

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

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

(b) Senior management remuneration by band

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK dollar)		
HK$2,000,001 to HK$2,500,000 (equivalent to US$255,252 to US$318,939)	**3**	1
HK$2,500,001 to HK$3,000,000 (equivalent to US$318,940 to US$382,726)	**1**	1
HK$3,000,001 to HK$3,500,000 (equivalent to US$382,727 to US$446,514)	**—**	1
HK$3,500,001 to HK$4,000,000 (equivalent to US$446,515 to US$510,302)	**2**	3
HK$6,500,001 to HK$7,000,000 (equivalent to US$829,241 to US$893,028)	**1**	1

11 FINANCE COSTS, NET

	2018	2017
	US$'000	US$'000
Interest expenses		
— Interest expense on bank borrowings and factoring arrangements	**41,484**	33,485
— Interest expense on loans	**—**	582
Unwinding of interests		
— Unwinding of interests on license fee payable	**4,890**	4,049
— Unwinding of interests on contingent consideration payable	**453**	782
Finance costs	**46,827**	38,898
Interest income on cash at bank and bank deposits	**(7,063)**	(4,647)
Finance costs, net	**39,764**	34,251

12 INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2017: Nil).

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

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

	2018	2017
	US$'000	US$'000
Current income tax charge		
— Current year	**39,984**	37,714
— (Over)/under-provision in respect of prior years	**(810)**	409
Deferred income tax charge/(credit) (Note 31)	**14,681**	(17,260)
Income tax expenses	**53,855**	20,863

12 INCOME TAX EXPENSES (CONTINUED)

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the primary tax rate of 25% (2017: 25%) applicable to profit/(loss) of the majority of the consolidated entities as follows:

	2018 US$'000	2017 US$'000
Profit/(loss) before income tax	**68,905**	(36,927)
Calculated at a taxation rate of 25% (2017: 25%)	**17,226**	(9,232)
Different taxation rates in other countries (Note)	**(5,935)**	1,981
Income not subject to tax	**(39,147)**	(17,184)
Expenses not deductible for tax purposes	**52,527**	45,976
Losses and temporary differences for which no deferred income tax asset was recognized	**28,848**	11,797
Recognition of previously unrecognized deferred income tax assets (including utilization of previously unrecognized tax loss)	**(2,661)**	(23,274)
Derecognition of previously recognized deferred income tax assets	**914**	7,103
(Over)/under-provision in respect of prior years	**(810)**	409
Withholding tax	**2,893**	3,287
Income tax expenses	**53,855**	20,863

Note:

The Group was subject to different tax jurisdictions mainly in the PRC, Belgium and Taiwan with tax rate ranging from 11% to 35%.

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2018	2017
Profit/(loss) attributable to owners of the Company (US$'000)	**21,913**	(50,614)
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,636
Basic earnings/(loss) per share (US cents per share)	**0.93**	(2.16)

(b) Diluted

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

Diluted earnings/(loss) per share for the year ended 31st December 2018 and 2017 equal basic earnings/(loss) per share as the exercise of the outstanding share options would be anti-dilutive.

14 DIVIDENDS

	2018	2017
	US$'000	US$'000
Final, proposed, of US0.28 cent (2017: US0.128 cent) per ordinary share	**6,568**	3,002

A dividend in respect of the year ended 31st December 2018 of US0.28 cent per share (2017: US0.128 cent per share) was proposed by the Board of directors on 15th March 2019 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to US$6,568,000 has not been recognized as a liability in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2019.

15 INTANGIBLE ASSETS

	Goodwill	**Trademarks**	**Software**	**Others**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1st January 2017					
Cost	393,986	225,928	42,295	550	662,759
Accumulated amortization and impairment	—	(177,710)	(25,360)	(550)	(203,620)
Net book amount	393,986	48,218	16,935	—	459,139
Year ended 31st December 2017					
Opening net book amount	393,986	48,218	16,935	—	459,139
Exchange differences	—	15,450	1,345	—	16,795
Additions	—	156,808	1,479	—	158,287
Amortization (Note 8)	—	(53,641)	(5,463)	—	(59,104)
Impairment (Note 7)	(30,000)	—	—	—	(30,000)
Closing net book amount	363,986	166,835	14,296	—	545,117
At 31st December 2017					
Cost	393,986	249,759	45,873	550	690,168
Accumulated amortization and impairment	(30,000)	(82,924)	(31,577)	(550)	(145,051)
Net book amount	363,986	166,835	14,296	—	545,117
Year ended 31st December 2018					
Opening net book amount	**363,986**	**166,835**	**14,296**	**—**	**545,117**
Exchange differences	**—**	**(4,950)**	**(532)**	**—**	**(5,482)**
Additions	**—**	**79,439**	**1,666**	**—**	**81,105**
Amortization (Note 8)	**—**	**(64,496)**	**(5,362)**	**—**	**(69,858)**
Impairment (Note 7)	**—**	**(20,576)**	**—**	**—**	**(20,576)**
Closing net book amount	**363,986**	**156,252**	**10,068**	**—**	**530,306**
At 31st December 2018					
Cost	**393,986**	**314,200**	**43,406**	**550**	**752,142**
Accumulated amortization and impairment	**(30,000)**	**(157,948)**	**(33,338)**	**(550)**	**(221,836)**
Net book amount	**363,986**	**156,252**	**10,068**	**—**	**530,306**

15 INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) Amortization charge for the Group included in 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' amounted to US$64,661,000 (2017: US$53,702,000), US$130,000 (2017: US$82,000), US$4,508,000 (2017: US$4,722,000) and US$559,000 (2017: US$598,000) respectively in the consolidated income statement.

(b) Impairment charge for the Group is included in 'other losses, net' amounted to US$20,576,000 (2017: US$30,000,000) in the consolidated income statement.

Impairment tests for goodwill

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

	2018 **US$'000**	2017 US$'000
Monitors	**324,274**	324,274
TVs	**39,712**	39,712
	363,986	363,986

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

For each of the CGUs with significant amount of goodwill, the key assumptions used for value-in-use calculations in 2018 and 2017 are as follows:

	2018		2017	
	Monitors	**TVs**	Monitors	TVs
Budgeted gross profit margin for the first year	**8.3%**	**9.0%**	8.8%	8.3%
Forecasted average gross profit margin for second to fifth year	**8.3%**	**10.2%**	8.8%	9.7%
Budgeted revenue growth rate for the first year	**−9.0%**	**5.0%**	−6.7%	7.6%
Forecasted average revenue growth rate for second to fifth year	**−0.2%**	**3.5%**	−0.5%	4.5%
Terminal growth rate	**0%**	**2.5%**	0%	3.0%
Discount rate (pre-tax)	**11.5%**	**11.5%**	11.1%	11.1%

15 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

Management determined the budgeted gross profit margins based on past performances and their expectations of market developments. The revenue reduction/growth rates are estimated based on the industry forecasts and management's expectations. The terminal growth rates are based on the expected inflation rate. The discount rates reflect specific risks relating to the relevant operating segments. The estimated recoverable amounts of the CGUs exceed their carrying values and the directors are of opinion that there was no impairment as at 31st December 2018.

Monitor business
If the forecasted revenue growth rate had been lowered by five percentage points for the Group's monitor business for each of the five-year projection period, the recoverable amounts would have been lowered by 17% but would still exceed their carrying amounts.

If the forecasted gross profit margin had been lowered by one percentage point for the Group's monitor business for the forecasted five-year projection period, the recoverable amounts would have been lowered by 22% but would still exceed their carrying amounts.

TVs business
If the forecasted revenue growth rate had been lowered by five percentage points for the Group's TVs business for the forecasted five-year projection period, an impairment in TVs goodwill of approximately US$38,814,000 would have been resulted for the TVs business.

If the forecasted gross profit margin had been lowered by 10 basis point for the Group's TV business for the forecasted five-year projection period, an impairment in TVs goodwill of approximately US$37,270,000 would have been resulted for the TVs business.

Impairment tests for trademarks

The Group tests whether the trademarks are subject to any impairment, in accordance with the accounting policies set out in Note 2.12 of these consolidated financial statements.

During the year ended 31st December 2018, management considered there were impairment indicators in relation to the mobile and tablets trademark and the PRC TVs trademark due to underperformance against the budget. Management determined the estimated recoverable amounts of the trademarks based on value-in-use calculations where the adopted discount rate (pre-tax) was 11.5%.

After taking into account the expected operating environment and market conditions, management considered that the cash flows generated from the mobile and tablets trademark and the PRC TV trademark over their remaining license periods were lower than their respective carrying amounts. As a result, the carrying amounts of the mobile and tablets trademark and the PRC trademark were reduced by US$11,576,000 and US$9,000,000, respectively, through recognition of impairment losses during the year ended 31st December 2018.

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Land and buildings in Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31st December 2018											
Opening net book amount	31,011	228,932	4,617	34,874	80,998	70,424	33,430	1,339	13,424	3,602	502,651
Exchange differences	(2,886)	(2,976)	–	158	(2,824)	168	(249)	(181)	(64)	(373)	(9,227)
Additions	–	10,283	–	12,766	20,192	54,265	10,193	863	4,031	5,265	117,858
Disposal	–	(777)	–	–	(5,449)	(8)	(7)	(31)	(4)	(9)	(6,285)
Depreciation (Note 8)	–	(15,260)	(298)	(13,108)	(14,337)	(62,704)	(10,469)	(538)	(4,600)	–	(121,314)
Reclassification	–	121	–	730	969	207	293	–	44	(2,364)	–
Hyperinflationary effect	3,267	3,048	–	61	1,052	(5)	47	4	–	119	7,593
Closing net book amount	31,392	223,371	4,319	35,481	80,601	62,347	33,238	1,456	12,831	6,240	491,276
At 31st December 2018											
Cost	31,392	330,641	6,629	113,281	173,530	336,868	180,510	5,711	63,663	6,307	1,248,532
Accumulated depreciation	–	(107,270)	(2,310)	(77,446)	(92,372)	(274,521)	(146,866)	(4,255)	(50,499)	–	(755,539)
Accumulated impairment losses	–	–	–	(354)	(557)	–	(406)	–	(333)	(67)	(1,717)
Net book amount	31,392	223,371	4,319	35,481	80,601	62,347	33,238	1,456	12,831	6,240	491,276

	Freehold land outside Hong Kong US$'000	Buildings outside Hong Kong US$'000	Land and buildings in Hong Kong US$'000	Leasehold improvements US$'000	Machinery and equipment US$'000	Moulds US$'000	Electrical appliances and equipment US$'000	Transportation equipment US$'000	Furniture, fixtures and miscellaneous equipment US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31st December 2017											
Opening net book amount	30,731	249,133	4,915	43,467	79,942	56,407	31,256	1,253	14,246	2,910	514,260
Exchange differences	280	304	–	517	1,128	414	1,760	9	425	(156)	4,681
Additions	–	1,874	–	3,607	14,815	69,377	11,184	667	3,570	2,920	108,014
Disposal	–	(49)	–	(258)	(630)	(434)	(323)	(110)	(129)	–	(1,933)
Depreciation (Note 8)	–	(13,274)	(298)	(12,459)	(14,867)	(55,684)	(11,115)	(480)	(5,138)	–	(113,315)
Reclassification	–	–	–	–	610	344	668	–	450	(2,072)	–
Transfer to investment properties	–	(14,887)	–	–	–	–	–	–	–	–	(14,887)
Revaluation surplus prior to transfer to investment properties	–	5,831	–	–	–	–	–	–	–	–	5,831
Closing net book amount	31,011	228,932	4,617	34,874	80,998	70,424	33,430	1,339	13,424	3,602	502,651
At 31st December 2017											
Cost	31,011	320,851	6,629	102,198	180,419	322,176	175,350	5,600	64,275	3,745	1,212,254
Accumulated depreciation	–	(91,919)	(2,012)	(65,832)	(98,141)	(251,752)	(141,493)	(4,261)	(50,061)	–	(705,471)
Accumulated impairment losses	–	–	–	(1,492)	(1,280)	–	(427)	–	(790)	(143)	(4,132)
Net book amount	31,011	228,932	4,617	34,874	80,998	70,424	33,430	1,339	13,424	3,602	502,651

Depreciation expense of US$99,064,000 (2017: US$90,997,000) has been charged in 'cost of sales', US$3,008,000 (2017: US$2,273,000) in 'selling and distribution expenses', US$15,317,000 (2017: US$16,031,000) in 'administrative expenses' and US$3,925,000 (2017: US$4,014,000) in 'research and development expenses' respectively.

17 LAND USE RIGHTS

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

	2018 **US$'000**	2017 US$'000
At 1st January	**17,957**	18,627
Exchange differences	**(450)**	555
Transfer to investment properties	**—**	(728)
Amortization (Note 8)	**(479)**	(497)
Disposal	**(852)**	—
At 31st December	**16,176**	17,957

Amortization of US$75,000 (2017: US$100,000) has been charged in 'cost of sales', US$112,000 (2017: US$109,000) in 'selling and distribution expenses' and US$292,000 (2017: US$288,000) in 'administrative expenses' respectively.

18 INVESTMENT PROPERTIES

	2018 **US$'000**	2017 US$'000
At 1st January	**238,288**	203,483
Exchange differences	**(4,664)**	5,464
Additions	**—**	109
Transfer from property, plant and equipment and land use rights	**—**	15,615
Net fair value (losses)/gains on revaluation of investment properties (Note 7)	**(1,253)**	13,617
Disposal	**(111)**	—
At 31st December	**232,260**	238,288

Note:

The Group leases out some of the investment properties under operating leases, for a period of one to twenty years (2017: same). Rental income from these investment properties for the year amounted to US$15,780,000 (2017: US$14,053,000). An independent valuation of the Group's investment properties was performed by the independent, professionally qualified valuer, Jones Lang LaSalle ("JLL"), to determine the fair value of the investment properties as at 31st December 2018 and 2017. The revaluation gains or losses are included in 'other losses, net' in the consolidated income statement (Note 7). The following table analyzes the investment properties carried at fair value, by valuation method.

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

	2018 **US$'000**	2017 US$'000
Recurring fair value measurements		
Investment properties:		
— Industrial buildings — the PRC	**129,641**	135,665
— Industrial building — Poland	**8,671**	8,939
— Office and commercial building — the PRC	**93,948**	93,684
	232,260	238,288

18 INVESTMENT PROPERTIES (CONTINUED)

	Industrial buildings — the PRC US$'000	Industrial building — Poland US$'000	Office and commercial building — the PRC US$'000	Total US$'000
At 1st January 2018	**135,665**	**8,939**	**93,684**	**238,288**
Exchange differences	**—**	**—**	**(4,664)**	**(4,664)**
Net fair value (losses)/gains on revaluation of investment properties (Note 7)	**(5,913)**	**(268)**	**4,928**	**(1,253)**
Disposal	**(111)**	**—**	**—**	**(111)**
At 31st December 2018	**129,641**	**8,671**	**93,948**	**232,260**
Total revaluation (losses)/gains for the year included in consolidated income statement, under 'other losses, net'	**(5,913)**	**(268)**	**4,928**	**(1,253)**
At 1st January 2017	110,417	7,536	85,530	203,483
Exchange differences	—	—	5,464	5,464
Additions	109	—	—	109
Transfer from property, plant and equipment and land use rights	15,615	—	—	15,615
Net fair value gains on revaluation of investment properties (Note 7)	9,524	1,403	2,690	13,617
At 31st December 2017	135,665	8,939	93,684	238,288
Total revaluation gains for the year included in consolidated income statement, under 'other losses, net'	9,524	1,403	2,690	13,617

Valuation processes of the Group

The Group's investment properties were valued at 31st December 2018 and 2017 by an independent, professionally qualified valuer, JLL, who holds a recognized relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

Valuation techniques

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

18 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques (Continued)

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

Properties	Fair value at 31st December (US$'000)	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial buildings — the PRC	2018: 129,641 (2017: 135,665)	Income approach	Rent	2018: RMB0.38 – RMB2.97 per square meter per day (2017: RMB0.36 – RMB2.97 per square meter per day)	The higher the rent, the higher the fair value
			Term yield	2018: 6.5% – 9.0% (2017: 6.5% – 9.0%)	The higher the yield, the lower the fair value
			Reversionary yield	2018: 7.0% – 9.5% (2017: 7.0% – 9.5%)	The higher the yield, the lower the fair value
			Market vacancy rate	2018: 5.0% – 10.0% (2017: 5.0% – 10.0%)	The higher the market vacancy rate, the lower the fair value
			Term vacancy rate	2018: 0.0% – 9.1% (2017: 1.9% – 14.6%)	The higher the term vacancy rate, the lower the fair value
Industrial building — Poland	2018: 8,671 (2017: 8,939)	Income approach	Rent	2018: EUR2.0 – EUR8.0 per square meter per month (2017: EUR2.0 – EUR8.0 per square meter per month)	The higher the rent, the higher the fair value
			Capitalization rate	2018: 9.5% (2017: 9.5%)	The higher the capitalization rate, the lower the fair value
Office and commercial building — the PRC	2018: 93,948 (2017: 93,684)	Income approach	Rent	2018: RMB4.6 – RMB6.6 per square meter per day (2017: RMB3.8 – RMB6.9 per square meter per day)	The higher the rent, the higher the fair value
			Term yield	2018: 4.5% – 5.0% (2017: 4.5% – 5.0%)	The higher the yield, the lower the fair value
			Reversionary yield	2018: 5.0% – 5.5% (2017: 5.0% – 5.5%)	The higher the yield, the lower the fair value
			Market vacancy rate	2018: 6.0% (2017: 6.0%)	The higher the market vacancy rate, the lower the fair value
			Term vacancy rate	2018: 3.7% (2017: 11.0%)	The higher the term vacancy rate, the lower the fair value

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

19 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st December 2018:

Name	Place of incorporation/ establishment (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held by the Company (Note (d)) directly	Interest held by the Company (Note (d)) indirectly	Interest held by non-controlling interests
Top Victory International Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	100%	–	–
Top Victory Investments Limited	Hong Kong	Trading of computer monitors and flat TVs and sourcing of materials	HK$11,000 divided into 1,000 voting class "A" ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each (Note (c))	–	100%	–
Top Victory Electronics (Fujian) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$40,000,000	–	100%	–
Top Victory Electronics (Fuqing) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of touch screen products	Paid-in capital of US$35,000,000	–	100%	–
Top Victory Electronics (Taiwan) Company Limited[1]	Taiwan	Research and development of computer monitors and flat TVs and sourcing of certain components	92,000,000 ordinary shares of new Taiwan dollar 10 each	–	100%	–
TPV Electronics (Fujian) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors and flat TVs and sourcing of certain components	Paid-in capital of US$45,000,000	–	100%	–
TPV Electronics (Fuzhou Bonded Zone) Trading Company Limited[1] (Note (b))	The PRC, limited liability company	Trading of computer monitors	Paid-in capital of US$3,000,000	–	100%	–
TPV Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$16,880,000	–	100%	–
TPV Display Technology (Wuhan) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors	Paid-in capital of US$27,000,000	–	100%	–
Wuhan Admiral Technology Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB80,000,000	–	100%	–
Xiamen Admiral Electronics Technology Company Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB3,000,000	–	100%	–
TPV International (USA), Inc.	USA	Sales and distribution of computer monitors and all-in-one PC products	1,000,000 ordinary shares of US$1 each	–	100%	–
Envision Indústria de Produtos Electrônicos Ltda.	Brazil	Production and sales of computer monitors and flat TVs	367,361,855 ordinary shares of Brazilian real 1 each	–	100%	–
TPV Technology (Beijing) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of computer monitors and flat TVs	Paid-in capital of RMB16,000,000	–	100%	–
TPV Displays Polska Sp.z o.o	Poland	Production and sales of computer monitors and flat TVs	357,600 ordinary share of Poland zloty 500 each	–	100%	–
Fábrica Austral de Products Eléctricos S.A.	Argentina	Sales and distribution of flat TVs	1,659,840 ordinary shares of Argentine Peso	–	100%	–
MMD (Shanghai) Electronics Trading Company Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB20,000,000	–	100%	–

19 SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries at 31st December 2018: (Continued)

Name	Place of incorporation/ establishment (Note (a))	Principal activities	Particulars of issued share capital/ registered capital	Interest held by the Company (Note (d)) directly	Interest held by the Company (Note (d)) indirectly	Interest held by non-controlling interests
MMD (Shanghai) Electronics Technology Company Limited[1] (Note (b))	The PRC, limited liability company	Sales and distribution of computer monitors and flat TVs	Paid-in capital of RMB20,000,000	–	100%	–
MMD Hong Kong Holding Limited	Hong Kong	Trading of audio and video products	Paid in capital of HK$1 and US$12,000,000	–	100%	–
TPV Display Technology (Xiamen) Company Limited[1] (Note (b))	The PRC, limited liability company	Production and sales of flat TVs and LCM modules	Paid-in capital of US$25,000,000	–	100%	–
TPV Display Technology (China) Company Limited1 (Note (b))	The PRC, limited liability company	Production and sales of computer monitors, flat TVs and all-in-one PC products	Paid-in capital of US$21,739,100	–	92%	8%
Trend Smart America Ltd	USA	Trading of flat TVs	Paid-in capital of US$200,000	–	100%	–
TPV CIS Ltd	Russia	Production and sales of flat TVs	Paid-in capital of US$19,679,857	–	100%	–
PTC Technology Company Limited[1] (Note (b))	The PRC, limited liability Company	Sales and distribution of flat TVs	Paid-in capital of RMB20,000,000	–	100%	–
PTC Consumer Electronics Company Limited[1] (Note (b))	The PRC, limited liability Company	Sales and distribution of flat TVs	Paid-in capital of EUR1,240,000	–	100%	–
TPV Technology (Qingdao) Company Limited[1] (Note (b))	The PRC, limited liability Company	Production and sales of flat TVs	Paid-in capital of US$30,000,000	–	80%	20%
TP Vision Holding B.V.	Netherlands	Investment holding	Paid-in capital of EUR18,000	–	100%	–
TP Vision Europe B.V.	Netherlands	Sales and distribution of TVs	180 ordinary shares of EUR100 each	–	100%	–
Shenzhen Sang Fei Consumer Communications Company Limited[1] (Note (b))	The PRC, limited liability Company	Production and distribution of mobile phone and tele-communication products	Paid-in capital of US$67,700,000	–	100%	–
Sangfei CEC Electronics Rus LLC	Russia	Trading of mobile phone and tele-communication products	Paid-in capital of US$35,700,000	–	100%	–
Sangfei CEC Elektronik Ticaret A.Ş.	Turkey	Trading of mobile phone and tele-communication products	Paid-in capital of EUR300,000	–	100%	–
TPV Chile SPA	Chile	Trading of TVs	Paid-in capital of US$3,035,000	–	100%	–
TPV Peru SAC	Peru	Trading of TVs	Paid-in capital of US$1,550,000	–	100%	–

[1] English translation is for identification purpose only.

Notes:

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

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

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

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

20 INVESTMENTS IN ASSOCIATES

	2018 US$'000	2017 US$'000
At 1st January	**43,838**	52,774
Exchange differences	**(2,200)**	3,197
Share of losses	**(1,915)**	(4,501)
Capital reduction	**—**	(2,321)
Disposal	**—**	(5,311)
At 31st December	**39,723**	43,838

Set out below is an associate of the Group as at 31st December 2018, which, in the opinion of the directors, is material to the Group. The associate as listed below has registered capital consisting solely of paid-in capital, which are held indirectly by the Group.

Nature of investment in material associate as at 31st December 2018 and 2017:

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

[1] English translation is for identification purpose only.

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

Summarized financial information for material associate

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

	2018 US$'000	2017 US$'000
Summarized balance sheet		
Non-current assets	**19,550**	23,443
Current assets	**242,880**	284,012
Non-current liabilities	**—**	—
Current liabilities	**(207,277)**	(243,765)
Net assets	**55,153**	63,690
Summarized income statement		
Revenue	**1,052,318**	1,188,919
Loss from continuing operation	**(5,119)**	(6,194)
Other comprehensive income for the year	**—**	—
Total comprehensive loss for the year	**(5,119)**	(6,194)
Dividend	**—**	—

20 INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of summarized financial information

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

	2018 US$'000	2017 US$'000
Opening net assets as at 1st January	63,690	65,425
Exchange differences	(3,418)	4,459
Loss for the year	(5,119)	(6,194)
Other comprehensive income	—	—
Dividends	—	—
Closing net assets as at 31st December	55,153	63,690
Interest in the associate	49%	49%
Net assets attributable to the Group as at 31st December before elimination	27,025	31,208
Elimination of unrealized profit	(414)	(146)
Net assets attributable to the Group as at 31st December	26,611	31,062
Investments in other associates (Note)	13,112	12,776
Carrying value as at 31st December	39,723	43,838

Note:

Amounts represents aggregate investments in other associates.

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

	2018 US$'000	2017 US$'000
Profit/(loss) and total comprehensive income/(loss) for the year	861	(1,728)

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

	2018 US$'000	2017 US$'000
L&T Fujian	(2,776)	(2,773)
Other associates	861	(1,728)
	(1,915)	(4,501)

As at 31st December 2018 and 2017, there are no significant contingent liabilities and capital commitment relating to the Group's interest in the associates.

21 INVESTMENT IN A JOINT VENTURE

	2018 US$'000	2017 US$'000
At 1st January	—	1,347
Addition	720	—
Exchange difference	7	—
Disposal	—	(1,347)
Share of loss	—	—
At 31st December	727	—

There are no significant contingent liabilities and material capital commitment relating to the Group's interest in the joint venture as at 31st December 2018.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) The movement of equity investments are as follows:

	2018 US$'000	2017 US$'000
Financial assets at fair value through other comprehensive income		
At 1st January	—	—
Reclassification from available-for-sale financial assets	3,168	—
Exchange differences	(792)	—
Disposal	(89)	—
Fair value losses	(365)	—
At 31st December	1,922	—
Available-for-sale financial assets		
At 1st January	3,168	4,746
Reclassification to financial assets at fair value through other comprehensive income	(3,168)	—
Exchange differences	—	(316)
Disposal	—	(1,541)
Fair value gains	—	279
At 31st December	—	3,168

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Equity investments comprise the following individual investments:

	2018 US$'000	2017 US$'000
Financial assets at fair value through other comprehensive income		
Non-current assets		
Listed securities		
— Equity securities — Taiwan	**1,043**	—
Unlisted securities		
— Equity securities — Argentina	**858**	—
— Equity securities — Taiwan	**21**	—
	1,922	—
Available-for-sale financial assets		
Non-current assets		
Listed securities		
— Equity securities — Taiwan	**—**	1,409
Unlisted securities		
— Equity securities — Argentina	**—**	1,739
— Equity securities — Taiwan	**—**	20
	—	3,168

As at 31st December 2018, financial assets at fair value through other comprehensive income comprises of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Details on the change in accounting policy and the reclassification of equity investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income and the fair value measurements are set out in Note 2.2 and 3.3 respectively.

23 INVENTORIES

	2018 US$'000	2017 US$'000
Raw materials	**319,576**	370,517
Work-in-progress	**176,153**	203,366
Finished goods	**769,915**	740,969
Production supplies	**2,765**	2,969
	1,268,409	1,317,821

The cost of inventories charged in 'cost of sales' amounted to US$7,599,061,000 (2017: US$8,060,050,000), which included inventory provision reversal of US$2,571,000 (2017: charge of US$3,189,000).

24 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 US$'000	2017 US$'000
Non-current		
Prepayments	**3,105**	—
Other receivables	**36,087**	24,290
	39,192	24,290
Current		
Trade receivables	**1,725,792**	2,064,930
Loss allowance	**(103,983)**	(81,387)
Trade receivables, net	**1,621,809**	1,983,543
Deposits	**6,299**	6,253
Prepayments	**35,843**	35,216
Other receivables		
— Value-added tax recoverable	**130,396**	142,253
— Others	**88,023**	77,070
	260,561	260,792
Total	**1,921,562**	2,268,625

The Group's sales are on credit terms primarily from 30 to 90 days (2017: 30 to 120 days) and certain sales are on letters of credit or documents against payment.

As at 31st December 2018 and 2017, the ageing analysis of gross trade receivables based on invoice date was as follows:

	2018 US$'000	2017 US$'000
0–30 days	**277,950**	432,988
31–60 days	**779,070**	883,633
61–90 days	**435,182**	438,913
Over 90 days	**233,590**	309,396
	1,725,792	2,064,930

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

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

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

	2018 US$'000	2017 US$'000
At 1st January	**81,387**	22,458
Amounts additionally provided through opening retained profits on adoption of HKFRS 9	**21,514**	—
Provision for impairment of trade receivables	**—**	68,245
Increase in loss allowance recognized in profit and loss during the year	**24,853**	—
Receivables written off during the year as uncollectible	**(19,377)**	(10,698)
Exchange differences	**(4,394)**	1,382
At 31st December	**103,983**	81,387

The creation and release of provision for impaired receivables was charged to the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the amount.

Note:

The Group recognized loss allowance for financial assets as follows:

	2018 US$'000	2017 US$'000
Loss allowance		
— Trade receivables	**24,853**	—
— Other receivables	**341**	—
	25,194	—

The above impairment losses have been separately disclosed as 'net impairment losses on financial assets' in the consolidated income statements.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 US$'000	2017 US$'000
Current		
Unlisted securities		
— Equity securities — The PRC (Note)	**—**	21,517

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

Note:

During the year ended 31st December 2018, a wholly-owned subsidiary of the Group, exercised the put option to require Nanjing Electronics Information Industrial Corporation, a subsidiary of China Electronics Corporations ("CEC"), to purchase the 0.8% equity interests in Nanjing JV held, at a consideration of RMB164,400,000 (equivalent to approximately US$24,863,000), resulting in a gain of US$3,346,000.

26 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS AND PLEDGED BANK DEPOSITS

	2018 US$'000	2017 US$'000
Cash and cash equivalents (Note (a))	**281,849**	450,393
Short-term bank deposits (Note (b))	**33,961**	29,295
	315,810	479,688
Pledged bank deposits (Note 36)	**2,114**	905
	317,924	480,593

Notes:

(a) The cash and cash equivalents presented in the consolidated statement of cash flows as at year ended 31st December 2018 is US$271,415,000, including the bank overdraft amounted for US$10,434,000 (Note 30).

(b) Short-term bank deposits as at 31st December 2018 bear interest at an average rate of 3.50% (2017: 2.56%) per annum with maturity from January 2019 to May 2019 (2017: from January 2018 to August 2018), and were therefore excluded from cash and cash equivalents.

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

27 SHARE CAPITAL

	2018 US$'000	2017 US$'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

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

	2018		2017	
	Number of issued ordinary shares of US$0.01 each	Share capital US$'000	Number of issued ordinary shares of US$0.01 each	Share capital US$'000
At 1st January and 31st December	**2,345,636,139**	**23,456**	2,345,636,139	23,456

28 SHARE-BASED PAYMENTS

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

On 17th March 2017 ("2017 scheme"), 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.

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

	2018		2017	
	Average exercise price in HK$ per share option	**Number of share options (thousands)**	Average exercise price in HK$ per share option	Number of share options (thousands)
At 1st January	**2.806**	**66,170**	5.008	21,670
Granted	**—**	**—**	1.770	45,000
Lapsed (Note (a))	**5.008**	**(1,400)**	5.008	(500)
At 31st December	**2.758**	**64,770**	2.806	66,170

28,770,000 outstanding options (2017: 21,170,000) were exercisable.

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

	Expiry date	**Exercise price in HK$ per share option**	**Number of share options (thousands)**	
			2018	2017
2011 Scheme	17th January 2021 (Note (b))	5.008	**19,770**	21,170
2017 Scheme	1st November 2025 (Note (c))	1.770	**45,000**	45,000

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

The fair value of options granted of 2017 Scheme determined using the Binomial Option Pricing Model was HK$0.73 per option. The significant inputs into the model were closing share price of HK$1.77 at the grant date, exercise price shown above, 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.

28 SHARE-BASED PAYMENTS (CONTINUED)

Notes:

(a) During the year, 1,400,000 (2017: 500,000) share options under 2011 Scheme were lapsed as a result of the cessation of employment of certain employees.

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

(c) These options are exercisable at HK$1.770 (approximately 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 17th March 2020 to 1st November 2025 are 20%, 50% and 100% respectively.

29 RESERVES

	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Available-for-sale financial assets fair value reserve US$'000	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	Total US$'000
As at 31st December 2017	759,464	96,187	12	21,648	(171,977)	109,995	45,441	950	—	45,760	(142,564)	770,312	1,535,228
Change in accounting policies (Note 2.2)	—	—	—	—	—	—	—	(950)	950	—	—	(20,866)	(20,866)
Restated total reserves as at 1st January 2018	759,464	96,187	12	21,648	(171,977)	109,995	45,441	—	950	45,760	(142,564)	749,446	1,514,362
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	21,913	21,913
Currency translation differences													
— Group	—	—	—	—	(8,221)	—	—	—	—	—	—	—	(8,221)
— Associates and a joint venture	—	—	—	—	(2,193)	—	—	—	—	—	—	—	(2,193)
Release of exchange reserve to profit or loss upon disposal of subsidiaries	—	—	—	—	1,704	—	—	—	—	—	—	—	1,704
Fair value losses on equity investments at fair value through other comprehensive income (Note 22)	—	—	—	—	—	—	—	—	(365)	—	—	—	(365)
Transfer from retained profits (Note (d))	—	16,633	—	—	—	3,290	—	—	—	—	—	(19,923)	—
Remeasurement of pension obligations, net of tax (Note 32)	—	—	—	—	—	—	—	—	—	—	—	1,203	1,203
Employee share option scheme													
— Employee share-based compensation benefits	—	—	—	1,535	—	—	—	—	—	—	—	—	1,535
2017 final dividends paid	—	—	—	—	—	—	—	—	—	—	—	(3,002)	(3,002)
Hyperinflationary effect (Note (e))	—	—	—	—	81,291	—	—	—	—	—	—	(100,937)	(19,646)
At 31st December 2018	759,464	112,820	12	23,183	(99,396)	113,285	45,441	—	585	45,760	(142,564)	648,700	1,507,290

29 RESERVES (CONTINUED)

	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Available-for-sale financial assets fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves (Note (c)) US$'000	Retained profits US$'000	Total US$'000
As at 1st January 2017	759,464	75,646	12	19,951	(116,572)	107,322	45,441	671	41,387	(142,564)	854,841	1,645,599
Loss for the year	—	—	—	—	—	—	—	—	—	—	(50,614)	(50,614)
Currency translation differences												
— Group	—	—	—	—	(58,883)	—	—	—	—	—	—	(58,883)
— Associates and a joint venture	—	—	—	—	3,197	—	—	—	—	—	—	3,197
Release of exchange reserve to profit or loss upon disposal/closure of												
— A subsidiary	—	—	—	—	183	—	—	—	—	—	—	183
— An associate and a joint venture	—	—	—	—	98	—	—	—	—	—	—	98
Fair value gains on available-for-sale financial assets	—	—	—	—	—	—	—	279	—	—	—	279
Transfer from retained profits (Note (d))	—	20,541	—	—	—	2,673	—	—	—	—	(23,214)	—
Remeasurement of pension obligations, net of tax (Note 32)	—	—	—	—	—	—	—	—	—	—	793	793
Revaluation gains on investment properties transferred from property, plant and equipment, net of tax	—	—	—	—	—	—	—	—	4,373	—	—	4,373
Employee share option scheme												
— Employee share-based compensation benefits	—	—	—	1,697	—	—	—	—	—	—	—	1,697
2016 final dividends paid	—	—	—	—	—	—	—	—	—	—	(11,494)	(11,494)
At 31st December 2017	759,464	96,187	12	21,648	(171,977)	109,995	45,441	950	45,760	(142,564)	770,312	1,535,228

Notes:

(a) In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, except for the TPV Technology (Suzhou) Company Limited where this is 30% of its registered capital, the PRC 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: (i) acquisitions of the four common control entities acquired in 2015; and (ii) the difference between the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to a corporate reorganization (the "Reorganization"), which was completed on 21st September 1999, in preparation for a listing of the Company's shares on the Exchange, over the nominal value of the share capital of the Company issued in exchange thereof.

(c) Other reserves primarily arose from the acquisition of remaining 30% equity interest in TP Vision Group and remaining 13.64% of a subsidiary in 2014 and 2015 respectively, and represents any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid.

(d) In accordance with the relevant Brazil regulations, the tax incentive granted by the local government could not be distributed and the entity is required to reserve the entire amount under relevant standards. For the year ended 31st December 2018, US$16,633,000 (2017: US$20,541,000) was transferred from retained profits to capital reserve.

(e) The amount represents (i) the difference between the closing equity of the previous year and the opening equity of the current year arising from the cumulative effect of restating non-monetary items from the date they were first recognized and the effect of translating those balances to the closing rate; (ii) the adjustments on the equity components for changes in price level during the years; and (iii) the elimination differences of the inflation adjusted intercompany balances. The comparative amounts are not adjusted for the changes in the price level or exchange rates since the Group's presentation currency is a stable currency. The difference is recognized directly in equity during the year.

30 BORROWINGS

	2018 **US$'000**	2017 US$'000
Non-current		
Bank borrowings	**355,731**	484,772
Current		
Bank overdraft	**10,434**	6,843
Bank borrowings	**16,304**	90,225
	26,738	97,068
Total borrowings	**382,469**	581,840

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

As at 31st December 2018, the Group's borrowings were repayable as follows:

	2018 **US$'000**	2017 US$'000
Within one year	**26,738**	97,068
Between one and two years	**355,731**	123,135
Between two and five years	**—**	361,637
	382,469	581,840

The exposure of the Group's borrowings to interest rate change at 31st December 2018 is disclosed in Note 3.

As at 31st December 2018 and 2017, the Group's available and undrawn bank loan and trade finance facilities were as follows:

	2018 **US$'000**	2017 US$'000
Total available and undrawn facilities	**2,185,999**	2,462,316

31 DEFERRED INCOME TAX

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

	2018 US$'000	2017 US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered after more than 12 months	**21,512**	30,929
— Deferred income tax assets to be recovered within 12 months	**42,374**	50,590
	63,886	81,519
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled after more than 12 months	**(23,205)**	(22,658)
— Deferred income tax liabilities to be settled within 12 months	**(17,823)**	(17,118)
	(41,028)	(39,776)
Deferred income tax assets (net)	**22,858**	41,743

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

	2018 US$'000	2017 US$'000
At 1st January	**41,743**	21,573
Exchange differences	**(4,026)**	4,594
Deferred tax (charged)/credited to consolidated income statement (Note 12)	**(14,681)**	17,260
Deferred tax charged to equity	**(178)**	(1,684)
At 31st December	**22,858**	41,743

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

	Provisions and license fee payable		Pension obligations		Unrealized profits on inventories		Tax losses		Unrealized losses on derivative financial instruments		Others		Total	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
At 1st January	**62,226**	55,795	**1,494**	1,928	**1,794**	4,514	**14,933**	10,864	**1,390**	—	**8,156**	12,860	**89,993**	85,961
Exchange differences	**(1,732)**	3,402	**(20)**	186	**(34)**	315	**(1,295)**	776	**—**	—	**(909)**	1,560	**(3,990)**	6,239
Credited/(charged) to consolidated income statement	**(22,821)**	3,029	**113**	(394)	**2,375**	(3,035)	**1,935**	3,293	**(1,390)**	1,390	**(1,528)**	(6,264)	**(21,316)**	(1,981)
Charged to equity	**—**	—	**(178)**	(226)	**—**	—	**—**	—	**—**	—	**—**	—	**(178)**	(226)
At 31st December	**37,673**	62,226	**1,409**	1,494	**4,135**	1,794	**15,573**	14,933	**—**	1,390	**5,719**	8,156	**64,509**	89,993

31 DEFERRED INCOME TAX (CONTINUED)

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

	Unrealized gains on derivatives financial instruments		Revaluation of properties		Withholding tax on distributable profits		Future taxable income		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1st January	**—**	(14,448)	**(22,658)**	(18,630)	**(16,413)**	(14,182)	**(8,649)**	(16,774)	**(530)**	(354)	**(48,250)**	(64,388)
Exchange differences	**—**	—	**—**	—	**(36)**	(1,017)	**—**	(558)	**—**	(70)	**(36)**	(1,645)
(Charged)/credited to consolidated income statement	**—**	14,448	**(547)**	(2,570)	**(1,467)**	(1,214)	**8,649**	8,683	**—**	(106)	**6,635**	19,241
Charged to equity	**—**	—	**—**	(1,458)	**—**	—	**—**	—	**—**	—	**—**	(1,458)
At 31st December	**—**	—	**(23,205)**	(22,658)	**(17,916)**	(16,413)	**—**	(8,649)	**(530)**	(530)	**(41,651)**	(48,250)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses and temporary differences amounting to US$639,992,000 (2017: US$562,924,000) that can be carried forward against future taxable income. Losses amounting to US$396,615,000 (2017: US$351,854,000) expire from 2018 to 2027.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling US$837,276,000 at 31st December 2018 (2017: US$817,473,000). Such amounts are considered by the directors to be permanently reinvested.

32 PENSION OBLIGATIONS

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

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

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

	As at 31st December	
	2018	2017
	US$'000	US$'000
Present value of funded obligations	**53,100**	53,692
Fair value of plan assets	**(42,790)**	(43,928)
	10,310	9,764
Present value of unfunded obligations	**1,807**	4,029
Liability in the consolidated balance sheet	**12,117**	13,793
Less: Current portion	**(1,363)**	(1,193)
Non-current portion	**10,754**	12,600

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

32 PENSION OBLIGATIONS (CONTINUED)

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

	2018 US$'000	2017 US$'000
Current service cost	**1,387**	1,494
Interest cost	**905**	924
Interest income on plan assets	**(666)**	(641)
Total expenses, included in employee benefit expenses (Note 10)	**1,626**	1,777

Movements in the pension obligations over the year are as follows:

	Present value of obligations US$'000	Fair value of plan assets US$'000	Total US$'000
At 1st January 2018	**57,721**	**(43,928)**	**13,793**
Current service cost	**1,387**	**—**	**1,387**
Interest expenses/(income)	**905**	**(666)**	**239**
Remeasurement arising from experience adjustment and changes in actuarial assumptions	**(818)**	**(157)**	**(975)**
Return on plan assets	**—**	**(406)**	**(406)**
Exchange differences	**(2,271)**	**1,947**	**(324)**
Contributions:			
— Employers	**—**	**(1,721)**	**(1,721)**
— Plan participants	**179**	**—**	**179**
Benefit payments	**(2,265)**	**2,265**	**—**
Others	**69**	**(124)**	**(55)**
At 31st December 2018	**54,907**	**(42,790)**	**12,117**

Movements in the pension obligations over the year are as follows:

	Present value of obligations US$'000	Fair value of plan assets US$'000	Total US$'000
At 1st January 2017	51,973	(37,400)	14,573
Current service cost	1,494	—	1,494
Interest expenses/(income)	924	(641)	283
Remeasurement arising from experience adjustment and changes in actuarial assumptions	(1,107)	273	(834)
Return on plan assets	—	(185)	(185)
Exchange differences	5,894	(4,853)	1,041
Contributions:			
— Employers	—	(2,573)	(2,573)
— Plan participants	165	—	165
Benefit payments	(1,577)	1,451	(126)
Others	(45)	—	(45)
At 31st December 2017	57,721	(43,928)	13,793

Upon the remeasurement of pension obligation as at year end, a net gain of US$1,203,000 (2017: US$793,000), representing remeasurement gain on pension obligations of US$1,381,000 (2017: US$1,019,000), net of deferred tax of US$178,000 (2017: US$226,000) was recognized in other comprehensive income during the year.

32 PENSION OBLIGATIONS (CONTINUED)

The significant actuarial assumptions used are as follows:

	2018	2017
Discount rate (per annum)	**1.00%–2.30%**	1.10%–2.00%
Salary growth rate (per annum)	**3.31%–3.50%**	3.25%–3.50%

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

	Change in assumption	**Impact on defined benefit obligation — increase/ (decrease)** US$'000
Taiwan:		
Discount rate (per annum)	+1%	(753)
	−1%	802
Salary growth rate (per annum)	+1%	692
	−1%	(610)

		US$'000
Europe:		
Discount rate (per annum)	+0.5%	(1,037)
	−0.5%	1,156
Salary growth rate (per annum)	+0.5%	510
	−0.5%	(751)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Plan assets comprised:

	2018		2017	
	US$'000	**%**	US$'000	%
Equities	**2,821**	**7%**	2,192	5%
Debt securities	**29,361**	**69%**	31,574	72%
Cash and deposits	**4,603**	**11%**	4,593	11%
Properties	**4,108**	**10%**	4,154	9%
Others	**1,897**	**3%**	1,415	3%
	42,790	**100%**	43,928	100%

32 PENSION OBLIGATIONS (CONTINUED)

Expected contributions to the pension plans for the year ending 31st December 2018 will be US$1,492,000 (2017: US$1,585,000).

The weighted average duration of the defined benefit obligation is 11.0 years (2017: 10.6 years).

33 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 US$'000	2017 US$'000
Non-current		
License fee payable	**112,539**	106,446
Contingent consideration payable (Note (a))	**2,847**	5,994
Accrued employee benefits	**2,401**	3,184
Others	**1,204**	782
	118,991	116,406
Current		
Trade payables	**1,805,125**	2,024,052
Other payables and accruals		
— Accrued employee benefits	**108,151**	103,427
— Accrued operating expenses	**118,362**	142,132
— Contract liabilities (Note (b))	**5,368**	—
— Duty and tax payable other than income tax	**56,202**	65,103
— License fee payable	**61,440**	78,844
— Payables under discounting arrangement	**220,585**	264,031
— Payables for purchase of property, plant and equipment	**80,542**	93,923
— Royalty payables	**163,017**	157,659
— Others	**52,215**	53,544
	865,882	958,663
Total	**2,789,998**	3,099,121

Notes:

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

(b) The Group has recognized the following liabilities related to contracts with customers in accordance with HKFRS 15:

	2018 US$'000	2017 US$'000
Contract liabilities — shipping services	**359**	—
Contract liabilities — warranty services	**5,009**	—
Total current contract liabilities	**5,368**	—

33 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

At 31st December 2018 and 2017, the ageing analysis of trade payables based on invoice date was as follows:

	2018	2017
	US$'000	US$'000
0–30 days	**744,075**	790,415
31–60 days	**563,271**	680,871
61–90 days	**198,175**	271,564
Over 90 days	**299,604**	281,202
	1,805,125	2,024,052

34 WARRANTY AND OTHER PROVISIONS

	2018			2017		
	Warranty provision	**Other provisions**	**Total**	Warranty provision	Other provisions	Total
	US$'000	**US$'000**	**US$'000**	US$'000	US$'000	US$'000
As at 1st January	**193,565**	**11,472**	**205,037**	177,487	12,878	190,365
Exchange differences	**(7,979)**	**(524)**	**(8,503)**	7,130	875	8,005
Charged to consolidated income statement (Note 8)	**127,593**	**198**	**127,791**	165,869	3,256	169,125
Utilized during the year	**(140,695)**	**(4,459)**	**(145,154)**	(156,921)	(5,537)	(162,458)
As at 31st December	**172,484**	**6,687**	**179,171**	193,565	11,472	205,037
Non-current liabilities	**—**	**1,458**	**1,458**	—	1,517	1,517
Current liabilities	**172,484**	**5,229**	**177,713**	193,565	9,955	203,520
Total	**172,484**	**6,687**	**179,171**	193,565	11,472	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 31st December 2018 and 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.

Other provisions comprise Jubilee provision, onerous provision and restructuring provisions.

35 DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Foreign exchange forward and options contracts (Note (a))	**125,735**	**(111,186)**	35,359	(48,007)
Cross currency interest rate swaps (note (b))	**27,627**	**—**	—	—
	153,362	**(111,186)**	35,359	(48,007)
Less non-current portion:				
Foreign exchange forward and options contracts (Note (a))	**30,020**	**(18,888)**	4,289	(2,551)
Cross currency interest rate swaps (note (b))	**27,627**	**—**	—	—
	57,647	**(18,888)**	4,289	(2,551)
Current portion	**95,715**	**(92,298)**	31,070	(45,456)

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

Notes:

(a) Foreign exchange forward and options contracts

The total notional amounts of the outstanding foreign exchange forward and options contracts as at 31st December 2018 and 2017 are as follows:

	2018 US$'000	2017 US$'000
Sell US dollar for Renminbi	**3,430,000**	1,080,000
Sell Renminbi for US dollar	**3,310,000**	1,230,000
Sell Euro for US dollar	**302,455**	666,316
Sell Brazilian real for US dollar	**58,000**	160,000
Sell Renminbi for Euro	**57,149**	—
Sell Indian rupee for US dollar	**55,000**	76,000
Sell US dollar for Taiwanese dollar	**35,000**	—
Sell Russian ruble for US dollar	**23,000**	25,000
Sell US dollar for Polish zloty	**14,000**	—
Sell Chilean peso for US dollar	**7,000**	—
Sell Turkish lira for US dollar	**3,000**	—
Sell Malaysian ringgit for US dollar	**1,500**	3,000
Sell British pound for US dollar	**1,274**	5,977
Sell Mexican peso for US dollar	**1,000**	2,000
Total	**7,298,378**	3,248,293

(b) The total notional amount of the outstanding cross interest rate currency swaps as at 31st December 2018 was US$370,763,000 (2017: Nil).

36 PLEDGE OF ASSETS

As at 31st December 2018, the Group's bank deposits of US$2,114,000 (2017: US$905,000) was pledged as security primarily for banking facilities of the Group for which US$2,114,000 (2017: US$905,000) have been utilized. In case the Group defaults under the facility agreements, the banks have the right to seize the pledged bank deposits.

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from/(used in) operations

	2018 US$'000	2017 US$'000
Operating profit	**123,531**	1,825
Amortization of intangible assets	**69,858**	59,104
Depreciation of property, plant and equipment	**121,314**	113,315
Amortization of land use rights	**479**	497
Net unrealized exchange losses/(gains)	**33,522**	(24,597)
Impairment losses on trademarks	**20,576**	—
Impairment loss on goodwill	**—**	30,000
Net fair value losses/(gains) on revaluation of investment properties	**1,253**	(13,617)
Fair value gains on financial assets at fair value through profit or loss	**—**	(1,373)
Gains on disposal of property, plant and equipment and land use right — net (Note)	**(2,642)**	(819)
Gains on disposal of financial assets at fair value through profit or loss	**(4,987)**	(5,312)
(Gain)/loss on remeasurement of contingent consideration payable	**(3,600)**	2,323
Losses/(gains) on disposals of subsidiaries — net	**1,704**	(646)
Losses on disposals of associates and a joint venture — net	**—**	48
Share option granted to a director and employees	**1,535**	1,697
Operating profit before working capital changes	**362,543**	162,445
Changes in working capital (excluding the effects of acquisition, disposal and exchange differences on consolidation):		
— inventories	**(7,283)**	71,393
— trade receivables	**271,825**	(99,320)
— deposits, prepayments and other receivables	**(42,551)**	(8,390)
— trade payables	**(213,521)**	(145,915)
— provisions, other payables and accruals and pension obligations	**(101,779)**	(23,900)
Net cash generated from/(used in) operations	**269,234**	(43,687)

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

	2018 US$'000	2017 US$'000
Net book amount of property, plant and equipment (Note 16)	**6,285**	1,933
Net book amount of land use rights (Note 17)	**852**	—
Gains on disposal of property, plant and equipment and land use right — net (Note 7)	**2,642**	819
Proceeds from disposals of property, plant and equipment and land use right	**9,779**	2,752
Other receivables recognized	**(5,107)**	—
Total proceeds from disposal of property, plant and equipment and land use right	**4,672**	2,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	2018 US$'000	2017 US$'000
Net debt		
Cash and cash equivalents	**281,849**	450,393
Borrowings and loans — repayable within one year	**(26,738)**	(97,068)
Borrowings and loans — repayable after one year	**(355,731)**	(484,772)
Net debt	**(100,620)**	(131,447)
Cash and liquid investments	**281,849**	450,393
Gross debt — fixed interest rates	**—**	(18,712)
Gross debt — variable interest rates	**(382,469)**	(563,128)
Net debt	**(100,620)**	(131,447)

	Other assets		Liabilities from financing activities		
	Cash US$'000	Liquid investments US$'000	Borrowings and loans due within 1 year US$'000	Borrowings and loans due after 1 year US$'000	Total US$'000
Net cash as at 1st January 2017	601,280	10,557	(163,695)	(371,543)	76,599
Cash flows	(162,606)	(15,447)	68,313	(113,575)	(223,315)
Gains on disposal	—	5,312	—	—	5,312
Foreign exchange adjustments	11,719	(422)	(1,686)	346	9,957
Net debt as at 31st December 2017	450,393	—	(97,068)	(484,772)	(131,447)

	Other assets		**Liabilities from financing activities**		
	Cash/bank overdraft US$'000	**Liquid investments US$'000**	**Borrowings due within 1 year US$'000**	**Borrowings due after 1 year US$'000**	**Total US$'000**
Net debt as at 1st January 2018	**450,393**	**—**	**(97,068)**	**(484,772)**	**(131,447)**
Cash flows	**(163,043)**	**—**	**71,222**	**123,480**	**31,659**
Foreign exchange adjustments	**(15,935)**	**—**	**9,542**	**5,561**	**(832)**
Net debt as at 31st December 2018	**271,415**	**—**	**(16,304)**	**(355,731)**	**(100,620)**

38 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 October 2018, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent I").

As far as the Group is concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent I, and contributing to and actively inducing the infringement of Patent I by others in the United States of America; and

(ii) as a consequence of the infringement, the plaintiff has been damaged.

39 COMMITMENTS

(a) Capital commitments

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

	2018 **US$'000**	2017 US$'000
Property, plant and equipment, intangible assets and other non-current assets	**28,027**	55,713

(b) Operating lease commitments — Group as lessee

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

	2018 **US$'000**	2017 US$'000
Not later than one year	**16,251**	14,749
Later than one year and no later than five years	**22,635**	16,496
Later than five years	**12,123**	11,138
	51,009	42,383

39 COMMITMENTS (CONTINUED)

(c) Operating lease commitments — Group as lessor

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

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

	2018	2017
	US$'000	US$'000
No later than one year	**14,949**	16,230
Later than one year and no later than five years	**32,706**	45,738
Later than five years	**81,057**	91,505
	128,712	153,473

40 RELATED PARTY TRANSACTIONS

As at 31st December 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 are not limited to sales and purchases of goods and services, payments for utilities, acquisition and sales of property, plant and equipment and land use rights and depositing and borrowing money.

(a) Significant transactions with related parties

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its associates and substantial shareholders, CEC, Mitsui and Innolux during the years ended 31st December 2018 and 2017.

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

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:

	2018	2017
	US$'000	US$'000
Sales of goods to associates	**166,213**	230,668
Sales of goods and services to CEC and its subsidiaries	**2,281**	744
Sales 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	**(113,009)**	(111,436)
Purchases of goods and services from CEC and its subsidiaries	**(238,511)**	(188,886)
Purchases of goods from Innolux and its subsidiaries	**(222,462)**	(256,371)
Interest income from CEC and its subsidiaries	**462**	—
Rental income from associates	**2,039**	1,974
Royalty paid to CEC and its subsidiaries	**(87)**	(188)
Reimbursement of warranty cost from an associate	**1,762**	2,302
Rental expense to CEC and its subsidiaries	**(337)**	(337)

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

(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:

	2018	2017
	US$'000	US$'000
Salaries and other short-term employee benefits	**3,895**	4,061

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balances

	2018 US$'000	2017 US$'000
Receivables from associates (Note (i))	**55,474**	89,043
Receivables from substantial shareholders and their subsidiaries (Note (i))		
— CEC and its subsidiaries	**2,583**	621
Cash placed in substantial shareholders and their subsidiaries (Note (ii))		
— CEC and its subsidiaries	**27,634**	—
Payables to associates (Note (iii))	**21,926**	25,434
Payables to substantial shareholders and their subsidiaries (Note (iii))		
— CEC and its subsidiaries	**50,703**	47,372
— Innolux and its subsidiaries	**25,048**	32,492
	75,751	79,864

Notes:

(i) Receivables from associates and substantial shareholders were mainly presented in the consolidated balance sheet within 'trade receivables' and 'deposits, prepayments and other receivables' (Note 24). The general credit term for the receivables is from 60 days to 120 days after the date of sales. The receivables are unsecured in nature and bear no interest.

(ii) 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 term of three years commencing on 1st January 2018 to 31st December 2020.

(iii) Payables to associates and substantial shareholders were presented in the consolidated balance sheet within 'trade payables' and 'other payables and accruals' (Note 33). The payables bear no interest with repayment date due within one year.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December 2018 US$'000	2017 US$'000
Assets			
Non-current asset			
Investment in a subsidiary		**59,066**	59,066
Amounts due from subsidiaries		**862,493**	860,958
		921,559	920,024
Current assets			
Amount due from a subsidiary		**5,086**	4,368
Cash and cash equivalents		**179**	149
		5,265	4,517
Total assets		**926,824**	924,541
Equity			
Equity attributable to owners of the Company			
Share capital		**23,456**	23,456
Other reserves	(a)	**898,553**	896,806
		922,009	920,262
Liability			
Current liability			
Other payables and accruals		**4,815**	4,279
Total equity and liabilities		**926,824**	924,541

The balance sheet of the Company was approved by the Board of Directors on 15th March 2019 and was signed on its behalf.

Dr Hsuan, Jason
Director

Dr Li Jun
Director

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

Balance sheet of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Share premium US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Contributed surplus (Note) US$'000	Retained profits US$'000	Total US$'000
At 1st January 2018	**759,464**	**12**	**21,648**	**11,433**	**104,249**	**896,806**
Profit for the year	**—**	**—**	**—**	**—**	**3,214**	**3,214**
Employee share-based compensation payment	**—**	**—**	**1,535**	**—**	**—**	**1,535**
2017 final dividends paid	**—**	**—**	**—**	**—**	**(3,002)**	**(3,002)**
At 31st December 2018	**759,464**	**12**	**23,183**	**11,433**	**104,461**	**898,553**
At 1st January 2017	759,464	12	19,951	11,433	104,246	895,106
Profit for the year	—	—	—	—	11,497	11,497
Employee share-based compensation payment	—	—	1,697	—	—	1,697
2016 final dividends paid	—	—	—	—	(11,494)	(11,494)
At 31st December 2017	759,464	12	21,648	11,433	104,249	896,806

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the share capital of the subsidiary acquired pursuant to the Reorganization and the value of the consolidated net assets of the subsidiary acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders, provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, as well as the issued share capital and premium is less than the realizable value of its assets.

42 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of the directors for the year ended 31st December 2018 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowance and benefit in kinds (Note (ix))	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Dr Hsuan, Jason (Note (i))	—	334	348	—	2	—	684
Dr Li Jun	—	—	—	—	—	—	—
Ms Bi Xianghui	—	—	—	—	—	—	—
Mr Chan Boon Teong	116	—	—	—	—	—	116
Dr Ku Chia-Tai	77	—	—	—	—	—	77
Mr Wong Chi Keung	77	—	—	—	—	—	77
Ms Jia Haiying (Note (v))	—	—	—	—	—	—	—
Mr Xu Guofei (Note (ii))	—	—	—	—	—	—	—
Mr Yang Jun (Note (vii))	—	—	—	—	—	—	—
Mr Zhang Dongchen (Note (iii))	—	—	—	—	—	—	—
Mr Zhu Lifeng (Note (viii))	—	—	—	—	—	—	—

The remuneration of the directors for the year ended 31st December 2017 is set out below:

Name	Fees	Salary	Discretionary bonuses	Allowance and benefit in kinds (Note (ix))	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Dr Hsuan, Jason (Note (i))	—	312	216	—	2	—	530
Mr Liu Liehong (Note (vi))	—	—	—	—	—	—	—
Ms Wu Qun (Note (iv))	—	—	—	—	—	—	—
Dr Li Jun	—	—	—	—	—	—	—
Ms Bi Xianghui	—	—	—	—	—	—	—
Mr Chan Boon Teong	116	—	—	—	—	—	116
Dr Ku Chia-Tai	77	—	—	—	—	—	77
Mr Wong Chi Keung	77	—	—	—	—	—	77
Ms Jia Haiying (Note (v))	—	—	—	—	—	—	—
Mr Yang Jun (Note (vii))	—	—	—	—	—	—	—
Mr Zhu Lifeng (Note (viii))	—	—	—	—	—	—	—

42 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) Dr Hsuan, Jason is also the chief executive officer of the Company.

(ii) Mr Xu Guofei was appointed as director of the Company on 30th July 2018.

(iii) Mr Zhang Dongchen was appointed as director of the Company on 30th July 2018.

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

(v) Ms Jia Haiying was appointed and resigned as director of the Company on 16th March 2017 and 15th March 2019 respectively.

(vi) Mr Liu Liehong resigned as director of the Company on 22nd May 2017.

(vii) Mr Yang Jun was appointed and resigned as director of the Company on 22nd May 2017 and 29th March 2018 respectively.

(viii) Mr Zhu Lifeng was appointed and resigned as director of the Company on 30th June 2017 and 16th May 2018 respectively.

(ix) Other benefits represents share-based payment.

During the year, no director waived any emoluments.

(b) Directors' retirement benefits

None of the directors retired during the years ended 31st December 2018 and 2017 received or will receive any retirement benefits.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2018 and 2017.

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

During the years ended 31st December 2018 and 2017, no consideration was paid by the Company to third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31st December 2018 and 2017, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save as the renewed trademarks licensing and sales agency agreements signed with the CEC Group, and the disposal of interest in a joint venture CEC Panda Flat Panel Display Technology Co. Ltd. where Mr Zhang Dongchen, Mr Xu Guofei, Ms Jia Haiying, Dr Li Jun, Ms Bi Xianghui, Mr Yang Jun and Mr Zhu Lifeng had abstained from voting on the relevant board resolutions approving such connected transactions, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31st December 2018 or at any time during the year ended 31st December 2018 (2017: Nil).

FIVE-YEAR FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000	US$'000
Results					
Profit/(loss) attributable to owners of the Company	**21,913**	(50,614)	38,523	(31,337)	(5,460)
Assets and liabilities					
Total assets	**5,054,909**	5,564,397	5,787,819	5,931,579	6,453,138
Total liabilities	**(3,528,606)**	(4,001,098)	(4,106,972)	(4,301,472)	(4,788,745)
Net assets	**1,526,303**	1,563,299	1,680,847	1,630,107	1,664,393

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