TPV TECHNOLOGY LIMITED 冠捷科技有限公司

(Incorporated in Bermuda with limited liability)

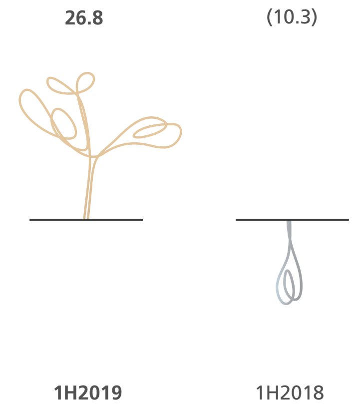
Interim Report 2019

Contents

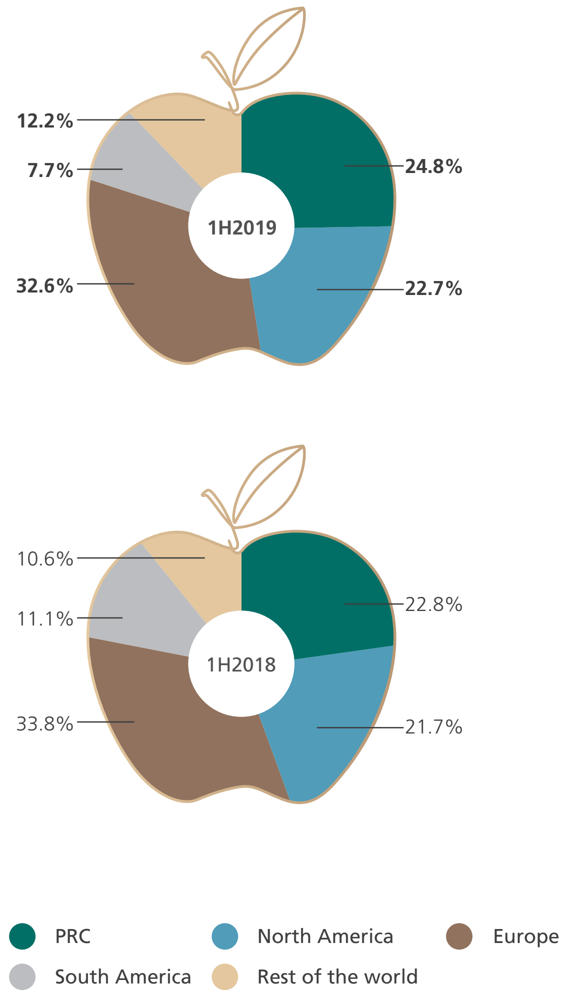
Financial Highlights

Revenue
(US$ Million)

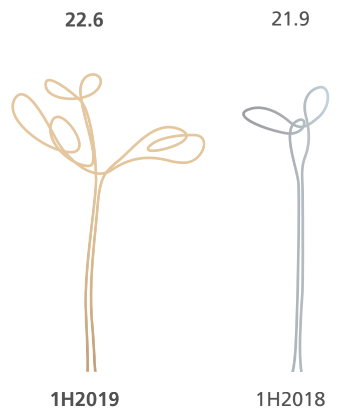
Profit/(Loss) Attributable to Equity Holders
(US$ Million)



Geographical Contribution
(%)



Monitors
(Million Units)



TVs
(Million Units)

Business Review

OVERVIEW

The Group's performance during the first half of 2019 was beset by challenges, particularly the escalation of the trade and technology disputes between China and the United States ("US"). Another key factor was the economic uncertainty weighing on the emerging market economies, in particular those in South America which have been strongly benefited from the surge of China's economy in the past years. Due to these geopolitical events, momentum slowed in global business activities in the first half of the year.

For the industry in general, panel prices fell across all segments as demand softened. For TVs, prices dropped between 5 and 10 percent for commoditised sizes up to 49-inch and between 10 and 20 percent for sizes over 50-inch. For monitors, prices remained relatively stable with only mid to high single-digit percentage decline. According to the iHS survey, global shipments were about 100 million sets for TVs (1H2018: 96.6 million sets) and 64 million sets for monitors (1H2018: 59.3 million sets).

GROUP PERFORMANCE

The Group delivered a solid performance in the first half of the year despite the adverse economic and geopolitical climate and reported a profit attributable to shareholders of US$26.8 million, compared with a loss of US$10.3 million for the same period in 2018.

Consolidated revenue fell by 7.5 percent to US$4.17 billion (1H2018: US$4.51 billion) due to the lower volume and average selling price ("ASP") for the TV business segment. Gross profit ("GP") margin for the period, including the release of US$31.2 million from royalty payable, increased to 9.8 percent (1H2018: 8.8 percent). Operating profit before tax was US$55.2 million (1H2018: US$20 million) after accounting for a US$6 million foreign exchange gains (1H2018: loss of US$31.1 million) and several one-off expenses such as a US$16.6 million provision for value-added tax ("VAT") recoverable in Brazil, a US$3.2 million impairment loss on TV trademark license in China and a US$4 million provision on doubtful receivables.

Europe remained the largest market for the Group despite revenue from the region declining by 10.9 percent year-on-year due to the drop in TV sales, and accounted for 32.6 percent of total (1H2018: 33.8 percent). Revenue from China stabilised and contributed 24.8 percent (1H2018: 22.8 percent) to the consolidated turnover. Sales to North America remained largely steady and accounted for 22.7 percent (1H2018: 21.7 percent). South America and the rest of the world contributed 7.7 percent (1H2018: 11.1 percent) and 12.2 percent (1H2018: 10.6 percent), respectively.

TVs

The Group's TV business has been heavily affected by the unstable economic conditions since 2018. Shipment for the period fell by 19.4 percent year-on-year to 6 million sets (1H2018: 7.4 million sets) due to fierce competition and declining ODM orders. This was compounded by a lower ASP for the same period at US$238.60 (1H2018: US$250.80) in tandem to the drop in panel prices. Therefore, segment revenue dropped to US$1.43 billion, or 23.1 percent, compared with the same period last year (1H2018: US$1.86 billion).

Nonetheless, the segment's GP margin rose to 12.7 percent (1H2018: 10 percent) attributing to the US$31.2 million release of royalty payable and an increase in sales of premium models. There were also certain one-off expenses undermining the segment's results, such as the provision on VAT recoverable in Brazil, impairment on the TV trademark license and provision on doubtful receivables. All these resulted in an adjusted operating loss of US$23.8 million for the business segment, compared to a loss of US$46.6 million in the same time last year.

Monitors

The monitor business segment continued to perform well during the period under review. The Group shipped 22.6 million units, representing a year-on-year increase of 3.2 percent (1H2018: 21.9 million units). This growth was mainly attributable to the increased shipment of own brand products. Segment revenue increased by almost 2 percent to US$2.52 billion (1H2018: US$2.47 billion) on a relatively lower ASP of US$111.50 (1H2018: US$113.00) while GP margin remained stable at 8.2 percent (1H2018: 8.3 percent). The segment adjusted operating profit increased 19.2 percent to US$97.3 million (1H2018: US$81.6 million).

OUTLOOK

The business environment has become more challenging particularly in light of the recently announced further tariffs on Chinese imports by the US government which will further dampen the already muted market demand. The Group is proactively revising its operational strategy and diversifying its manufacturing footprint against this background to minimize the potential cost impacts.

SUBSEQUENT EVENT

On 8th August 2019, CEIEC (H.K.) Limited ("CEIEC HK"), a wholly-owned subsidiary of China Electronics Corporation ("CEC"), which is a substantial shareholder of TPV, put forward a proposal for the privatization and withdrawal of the Group's listing status at a price of HK$3.86 per share. A joint announcement was published by CEIEC HK and the Group on 12th August 2019 for shareholders information.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June 2019, the Group had cash and bank balance (including pledged bank deposits and short-term bank deposits) of US$474.3 million (31st December 2018: US$317.9 million). Credit facilities granted by banks totalled US$3.79 billion (31st December 2018: US$3.90 billion), of which US$1.40 billion was utilised (31st December 2018: US$1.72 billion).

All the Group's debts are borrowed on a floating-rate basis. The maturity profile of the Group's debt as at 30th June 2019 was as follows:

	As at 30th June 2019 (US$'000)	As at 31st December 2018 (US$'000)
Within one year	**219,082**	26,738
Between one and two years	**240,649**	355,731
Between two and three years	**45,000**	—
Total	**504,731**	382,469

FINANCIAL RISK MANAGEMENT

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

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Euro, Brazilian real, Russian ruble and Argentine peso. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. Moreover, the conversion of Renminbi, Brazilian real, Russian ruble and Argentine peso into foreign currencies is subject to the rules and regulations of exchange control promulgated by the respective governments. The Group has a standing foreign exchange risk management policy and uses forward contracts and various derivative instruments to mitigate the associated risks.

WORKFORCE

The Group's total workforce at the end of June 2019 comprised 26,345 individuals (31st December 2018: 27,811). 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. The Group also emphasises the importance of a healthy work-life balance, and organised a range of activities designed to strengthen team spirit and encourage physical fitness among employees.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30th June 2019, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO including interests and short positions in which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Exchange pursuant to Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules") were as follows:

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

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

Notes:

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

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

Save as disclosed above and in the paragraph headed "Share Option", as at 30th June 2019, none of the directors and chief executive of the Company had or was deemed to have any interest or short position in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which has been notified to the Company pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30th June 2019 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the directors and chief executive of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

As at 30th June 2019, 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 People's Republic of China (the "PRC"), as being the ultimate holding company of the Company. CEC is an enterprise directly administered by State-owned Assets Supervision and Administration Commission of the State Council.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2019, so far as was known to the directors or chief executive of the Company, the following persons (not being a director or chief executive of the Company) had an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

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

Name of shareholder	Number of shares held (long position)	Percentage of shareholding
CEC	869,088,647 (Notes 1, 2)	37.05%
China Electronics Co. Limited[1]	251,958,647 (Notes 1, 2)	10.74%
CEIEC HK	251,958,647 (Notes 1, 2)	10.74%
Mitsui & Co., Ltd. ("Mitsui")	426,802,590 (Note 3)	18.20%
Long Nice Corporation Limited ("Long Nice")	426,802,590 (Note 3)	18.20%
Time Lead Assets Limited	426,802,590 (Note 3)	18.20%
Yuan Qiang[1]	426,802,590 (Note 3)	18.20%
Luo Xuexin[1]	426,802,590 (Note 3)	18.20%
Innolux Corporation ("Innolux")	150,500,000 (Note 4)	6.42%
Chimei Corporation ("CMC")	150,500,000 (Note 4)	6.42%
FMR LLC	121,946,000	5.20%

1 English translation is for identification purpose only.

Notes:

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

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

(3) These Shares are held by Long Nice. Long Nice is wholly-owned by Time Lead Assets Limited. Time Lead Assets Limited is owned as to 58.3% and 41.7% by Yan Qiang and Luo Xuexin respectively.

(4) These Shares are held by Innolux. Innolux is owned as to 3.11% by CMC.

SHARE OPTION

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

Particulars of outstanding options under the Option Scheme at the beginning and at the end of the financial period for the six months ended 30th June 2019 and options exercised and lapsed during the period were as follows:

				Number of options			
	Date of grant	**Exercise Price** HK$	**Exercisable Period**	**As at 1st January 2019**	**Exercised**	**Lapsed**	**As at 30th June 2019**
Director							
Dr Hsuan, Jason	18/01/2011	5.008 (Note 1)	18/01/2012–17/01/2021	150,000	0	0	150,000
			18/01/2013–17/01/2021	150,000	0	0	150,000
			18/01/2014–17/01/2021	150,000	0	0	150,000
			18/01/2015–17/01/2021	150,000	0	0	150,000
Employees	18/01/2011	5.008 (Note 1)	18/01/2012–17/01/2021	4,792,500	0	(175,000)	4,617,500
			18/01/2013–17/01/2021	4,792,500	0	(175,000)	4,617,500
			18/01/2014–17/01/2021	4,792,500	0	(175,000)	4,617,500
			18/01/2015–17/01/2021	4,792,500	0	(175,000)	4,617,500
				19,770,000	0	(700,000)	19,070,000

Note:

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

A new share option scheme of the Company (the "New Option Scheme") was approved and adopted by the shareholders of the Company at its special general meeting held on 2nd November 2015.

Particulars of outstanding options under the New Option Scheme at the beginning and at the end of the financial period for the six months ended 30th June 2019 and options exercised and lapsed during the period were as follows:

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1st January 2019	Exercised	Lapsed	As at 30th June 2019
Employees	17/03/2017	1.77 (Note 2)	17/03/2018–01/11/2025	9,000,000	0	0	9,000,000
			17/03/2019–01/11/2025	13,500,000	0	0	13,500,000
			17/03/2020–01/11/2025	22,500,000	0	0	22,500,000
				45,000,000	0	0	45,000,000

Note:

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

CONTINGENT LIABILITIES

Details of contingent liabilities was discussed in note 21 to the financial information.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 30th June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE CODE

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

During the six months period ended 30th June 2019, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for deviations from code provisions A.2.1 and A.4.1 of the CG Code, the reasons for which are explained below.

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

Chairman and Chief Executive Officer

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

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

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

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

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

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

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

Re-Election of Directors

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiries have been made with all the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the six months ended 30th June 2019.

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

AUDIT COMMITTEE

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

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

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

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

NOMINATION COMMITTEE

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

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

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

REMUNERATION COMMITTEE

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

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

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

INVESTMENT COMMITTEE

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

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

The Investment Committee is chaired by Dr Hsuan, Jason, the chairman and chief executive officer of the Company. The other members include Mr Sun Jie, Dr Li Jun and Ms Bi Xianghui, all of whom are non-executive directors of the Company and Mr Chan Boon Teong, an independent non-executive director of the Company.

INFORMATION DISCLOSURE COMMITTEE

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

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

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

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2019 have been reviewed by the Group's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the interim results for the six months ended 30th June 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June 2019 (six months ended 30th June 2018: Nil).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

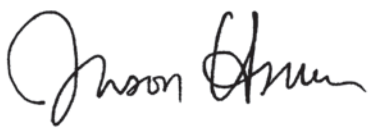
The management personnel responsible for investor relations hold regular meetings with the media, equity research analysts, fund managers and investors. The Company also holds presentations, road shows and conference calls for the international investment community from time to time.

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

BOARD COMPOSITION

As at the date of this report, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Zhang Dongchen, Mr Xu Guofei, Mr Sun Jie, Dr Li Jun and Ms Bi Xianghui and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.

On behalf of the Board



Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 15th August 2019

Condensed Consolidated Interim Income Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Note	Unaudited Six months ended 30th June **2019** **US$'000**	 2018 US$'000
Revenue	7	**4,174,131**	4,511,601
Cost of sales		**(3,766,954)**	(4,115,931)
Gross profit		**407,177**	395,670
Other income		**36,031**	45,828
Other losses — net		**(10,720)**	(28,698)
Selling and distribution expenses		**(191,857)**	(202,400)
Administrative expenses		**(73,172)**	(77,507)
Research and development expenses		**(83,665)**	(87,723)
Net impairment losses on financial assets		**(4,002)**	(1,628)
Operating profit	7 & 8	**79,792**	43,542
Finance income		**4,376**	3,658
Finance costs		**(25,959)**	(22,316)
Finance costs — net	9	**(21,583)**	(18,658)
Net monetary loss	10	**(3,835)**	—
Share of profits/(losses) of associates and a joint venture		**842**	(4,858)
Profit before income tax		**55,216**	20,026
Income tax expense	11	**(28,796)**	(31,972)
Profit/(loss) for the period		**26,420**	(11,946)

Condensed Consolidated Interim Income Statement *(Continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

		Unaudited	
		Six months ended 30th June	
		2019	2018
	Note	**US$'000**	US$'000
Profit/(loss) attributable to:			
Owners of the Company		**26,818**	(10,342)
Non-controlling interests		**(398)**	(1,604)
		26,420	(11,946)
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted	12	**US1.14 cents**	(US0.44 cent)

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

Condensed Consolidated Interim Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Unaudited Six months ended 30th June 2019 US$'000	2018 US$'000
Profit/(loss) for the period	**26,420**	(11,946)
Other comprehensive income/(loss) — net of tax		
Items that may be reclassified to profit or loss		
Currency translation differences		
— Group	**5,515**	(48,425)
— Associates and a joint venture	**25**	(691)
Release of exchange reserve to profit or loss upon disposal of a subsidiary	**—**	1,622
Item that will not be reclassified subsequently to profit or loss		
Fair value losses on equity investments at fair value through other comprehensive income	**(51)**	(234)
Other comprehensive income/(loss) for the period — net of tax	**5,489**	(47,728)
Total comprehensive income/(loss) for the period	**31,909**	(59,674)
Total comprehensive income/(loss) attributable to:		
— Owners of the Company	**32,307**	(58,181)
— Non-controlling interests	**(398)**	(1,493)
	31,909	(59,674)

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

Condensed Consolidated Interim Balance Sheet

AS AT 30TH JUNE 2019

	Note	Unaudited 30th June 2019 US$'000	Audited 31st December 2018 US$'000
Assets			
Non-current assets			
Intangible assets	14	**505,600**	530,306
Property, plant and equipment	14	**474,096**	491,276
Land use rights	14	**—**	16,176
Right-of-use assets	15	**60,184**	—
Investment properties	14	**232,355**	232,260
Investments in associates		**40,007**	39,723
Investment in a joint venture		**728**	727
Derivative financial instruments		**32,799**	57,647
Financial assets at fair value through other comprehensive income		**1,771**	1,922
Deferred income tax assets		**66,211**	63,886
Prepayments and other receivables	16	**27,099**	39,192
		1,440,850	1,473,115
Current assets			
Inventories		**1,289,379**	1,268,409
Trade receivables	16	**1,530,354**	1,621,809
Deposits, prepayments and other receivables	16	**207,951**	260,561
Current income tax recoverable		**7,207**	17,376
Derivative financial instruments		**76,117**	95,715
Pledged bank deposits		**1,692**	2,114
Short-term bank deposits		**21,842**	33,961
Cash and cash equivalents		**450,721**	281,849
		3,585,263	3,581,794
Total assets		**5,026,113**	5,054,909

Condensed Consolidated Interim Balance Sheet *(Continued)*

AS AT 30TH JUNE 2019

	Note	**Unaudited 30th June 2019 US$'000**	Audited 31st December 2018 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital	17	**23,456**	23,456
Other reserves		**1,535,916**	1,507,290
		1,559,372	1,530,746
Non-controlling interests		**(4,840)**	(4,443)
Total equity		**1,554,532**	1,526,303
Liabilities			
Non-current liabilities			
Borrowings	18	**285,649**	355,731
Lease liabilities	15	**33,709**	—
Deferred income tax liabilities		**42,272**	41,028
Pension obligations		**10,805**	10,754
Other payables and accruals	19	**100,830**	118,991
Derivative financial instruments		**3,058**	18,888
Provisions	20	**1,764**	1,458
		478,087	546,850

Condensed Consolidated Interim Balance Sheet *(Continued)*

AS AT 30TH JUNE 2019

	Note	**Unaudited 30th June 2019 US$'000**	Audited 31st December 2018 US$'000
Current liabilities			
Trade payables	19	**1,760,286**	1,805,125
Other payables and accruals	19	**745,130**	865,882
Current income tax liabilities		**23,944**	14,000
Warranty and other provisions	20	**169,755**	177,713
Lease liabilities	15	**15,652**	—
Derivative financial instruments		**59,645**	92,298
Borrowings	18	**219,082**	26,738
		2,993,494	2,981,756
Total liabilities		**3,471,581**	3,528,606
Total equity and liabilities		**5,026,113**	5,054,909

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

Condensed Consolidated Interim Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Unaudited													
	Attributable to owners of the Company													
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Financial assets at fair value through other comprehensive income fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves (Note (c)) US$'000	Retained profits US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 31st December 2018	**23,456**	**759,464**	**112,820**	**12**	**23,183**	**(99,396)**	**113,285**	**45,441**	**585**	**45,760**	**(142,564)**	**648,700**	**(4,443)**	**1,526,303**
Changes in accounting policies (Note 4)	—	—	—	—	—	—	—	—	—	—	—	**(2,897)**	**1**	**(2,896)**
Restated total equity at 1st January 2019	**23,456**	**759,464**	**112,820**	**12**	**23,183**	**(99,396)**	**113,285**	**45,441**	**585**	**45,760**	**(142,564)**	**645,803**	**(4,442)**	**1,523,407**
Comprehensive income/(loss)														
Profit/(loss) for the period	—	—	—	—	—	—	—	—	—	—	—	**26,818**	**(398)**	**26,420**
Other comprehensive income/(loss) for the period, net of tax														
Currency translation differences														
— Group	—	—	—	—	—	**5,515**	—	—	—	—	—	—	—	**5,515**
— Associates and a joint venture	—	—	—	—	—	**25**	—	—	—	—	—	—	—	**25**
Fair value losses on equity investments at fair value through other comprehensive income	—	—	—	—	—	—	—	—	**(51)**	—	—	—	—	**(51)**
Other comprehensive income/(loss) for the period, net of tax	—	—	—	—	—	**5,540**	—	—	**(51)**	—	—	—	—	**5,489**
Total comprehensive income/(loss) for the period ended 30th June 2019	—	—	—	—	—	**5,540**	—	—	**(51)**	—	—	**26,818**	**(398)**	**31,909**

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

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Unaudited													
	Attributable to owners of the Company													
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Share redemption reserve US$'000	Employee share-based compensation reserve US$'000	Exchange reserve US$'000	Reserve fund (Note (a)) US$'000	Merger difference (Note (b)) US$'000	Financial assets at fair value through other comprehensive income fair value reserve US$'000	Assets revaluation surplus US$'000	Other reserves (Note (c)) US$'000	Retained profits US$'000	Non-controlling interests US$'000	Total equity US$'000
Total transactions with owners, recognized directly in equity														
Employee share option scheme														
— Employee share-based compensation benefits	—	—	—	—	503	—	—	—	—	—	—	—	—	503
2018 final dividends paid	—	—	—	—	—	—	—	—	—	—	—	(6,568)	—	(6,568)
Hyperinflationary effect (Note (d))	—	—	—	—	—	2,066	—	—	—	—	—	3,215	—	5,281
Total transactions with owners, recognized directly in equity	—	—	—	—	503	2,066	—	—	—	—	—	(3,353)	—	(784)
Balance at 30th June 2019	23,456	759,464	112,820	12	23,686	(91,790)	113,285	45,441	534	45,760	(142,564)	669,268	(4,840)	1,554,532

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

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

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

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

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

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

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

Notes:

(a) In accordance with the relevant regulations of the People's Republic of China ("PRC") applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, except for the TPV Technology (Suzhou) Company Limited where this is 30% of its registered capital, the 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 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 Holding B.V. and its subsidiaries (collectively "TP Vision Group"), and 13.64% of a subsidiary in 2014 and 2015 respectively, representing any differences between the amount by which the non-controlling interests are adjusted (to reflect the changes in the interests in the subsidiaries) and the fair value of the consideration paid.

(d) 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.

Condensed Consolidated Interim Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Unaudited Six months ended 30th June 2019 US$'000	 2018 US$'000
Cash flows from operating activities		
Net cash generated from operations	**235,170**	168,488
Interest paid	**(24,950)**	(20,670)
Income tax paid	**(9,959)**	(30,183)
Net cash generated from operating activities	**200,261**	117,635
Cash flows from investing activities		
Proceeds from disposals of property, plant and equipment	**1,466**	475
Proceeds from disposal of right-of-use assets	**5,107**	—
Purchase of property, plant and equipment	**(49,369)**	(81,216)
Purchase of intangible assets	**(2,976)**	(324)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**—**	89
Proceeds from disposal of financial assets at fair value through profit or loss	**39,763**	15,865
Purchase of financial assets at fair value through profit or loss	**(37,339)**	(14,225)
Changes in short-term bank deposits	**12,543**	7,039
Interest received	**4,562**	5,255
Net cash used in investing activities	**(26,243)**	(67,042)
Cash flows from financing activities		
Inception of long-term borrowings	**75,000**	—
Net inception/(repayment) of short-term borrowings	**53,593**	(23,875)
Net payment of payables under discounting arrangements	**(116,208)**	(57,966)
Principal elements of lease payments	**(5,244)**	—
Dividends paid to owners of the Company	**(6,568)**	(3,002)
Net cash generated from/(used in) financing activities	**573**	(84,843)

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

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Unaudited	
	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Net increase/(decrease) in cash and cash equivalents	**174,591**	(34,250)
Cash and cash equivalents at beginning of the period	**271,415**	450,393
Exchange differences on cash and cash equivalents	**(1,792)**	(6,882)
Cash and cash equivalents at end of the period (Note)	**444,214**	409,261

Note:

Cash and cash equivalents are net of bank overdrafts of US$6,507,000 as at 30th June 2019.

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

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

TPV Technology Limited (the "Company") and its subsidiaries (together, the "Group") design, manufacture and sell computer monitors, TV products and other display products. The Group manufactures mainly in the 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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

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

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

The condensed consolidated interim financial information was approved for issue on 15th August 2019.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Net impairment losses on financial assets are separately disclosed in the condensed consolidated interim income statement for the six months ended 30th June 2019. Comparative information is amended to align the presentation.

3 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31st December 2018 as described in those annual financial statements except that income tax is accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

(a) New and amended standards and interpretation adopted by the Group

The following new standard, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1st January 2019 and currently relevant to the Group:

Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies for leases with effect from 1st January 2019 following the adoption of HKFRS 16 "Leases" ("HKFRS 16") as disclosed in Note 4 below. All other amendments to standards and interpretation listed above do not have a significant effect on the Group's accounting policies.

3 ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards not yet adopted

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1st January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3 (Revised)	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 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

4 CHANGES IN ACCOUNTING POLICIES

The following explains the impact of the adoption of HKFRS 16 on the Group's financial information.

The Group elected to adopt HKFRS 16 without restating comparatives as permitted under specific transitional provisions in the standard. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31st December 2018, but are recognized in the opening balance sheet on 1st January 2019.

(a) Adjustments recognized on the adoption of HKFRS 16

On the adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 5.21%.

	2019 **US$'000**
Operating lease commitments disclosed as at 31st December 2018	**51,009**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**43,436**
Less: short-term leases recognized on a straight-line basis as expense	**(3,754)**
Less: low-value leases recognized on a straight-line basis as expense	**(38)**
Less: contracts reassessed as service agreements	**(485)**
Add: adjustments as a result of a different treatment of extension options	**10,425**
Lease liability recognized as at 1st January 2019	**49,584**
Of which are:	
— Current lease liabilities	**15,002**
— Non-current lease liabilities	**34,582**
	49,584

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognized on the adoption of HKFRS 16 (Continued)

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at 31st December 2018. There was an onerous lease contract that has been adjusted to the right-of-use assets at the date of initial application. Right-of use assets recognized upon the date of initial application were measured at the amount equal to the lease liability.

Land use rights previously presented as a separate item on the consolidated balance sheet is grouped as part of right-of-use assets with effect from 1st January 2019.

The recognized right-of-use assets relate to the following types of assets:

	As at 30th June 2019 US$'000	As at 1st January 2019 US$'000
Buildings	**40,105**	41,767
Land use rights	**16,002**	16,176
Machinery and equipment	**240**	325
Transportation equipment	**3,837**	4,048
	60,184	62,316

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognized on the adoption of HKFRS 16 (Continued)

Changes in accounting policies affected the following items in the consolidated balance sheet on 1st January 2019:

Consolidated balance sheet (extract)	31st December 2018 as originally presented US$'000	Effects of the adoption of HKFRS 16 US$'000	1st January 2019 Restated US$'000
Non-current assets			
Land use rights	16,176	(16,176)	—
Right-of-use assets	—	62,316	62,316
Current assets			
Prepayments and other receivables	260,561	(221)	260,340
Current liabilities			
Lease liabilities	—	15,002	15,002
Other payables and accruals	865,882	726	866,608
Warranty and other provisions	177,713	(1,749)	175,964
Non-current liabilities			
Lease liabilities	—	34,582	34,582
Provisions	1,458	254	1,712
Equity			
Retained profits	648,700	(2,897)	645,803
Non-controlling interests	(4,443)	1	(4,442)

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognized on the adoption of HKFRS 16 (Continued)

(i) Impact on segment disclosures and earnings per share

Adjusted operating profit for the period ended 30th June 2019 and segment assets as at 30th June 2019 increased as a result of the changes in accounting policies. The following segments were affected by the changes in the accounting policies:

	Increase in adjusted operating profit for the six months ended 30th June 2019 US$'000	Increase in segment assets as at 30th June 2019 US$'000
Monitors	449	5,664
TVs	1,093	37,840
Others	163	678
	1,705	44,182

Earnings per share increased by US$0.02 cent per share for the six months ended 30th June 2019 as a result of the adoption of HKFRS 16.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Adjustments recognized on the adoption of HKFRS 16 (Continued)

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following recognition exemptions and practical expedients permitted by the standard:

— applying a single discount rate to a portfolio of leases with reasonably similar characteristics

— relying on previous assessments on whether leases are onerous

— accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases

— exempting operating leases for which the underlying assets are of low value

— excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

— using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for

As a lessee

The Group leases various buildings, machinery and equipment and transportation equipment. Rental contracts are typically made for fixed periods of 2 to 15 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31st December 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);

— variable lease payment that are based on an index or a rate;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

As a lessee (Continued)

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability;

— any lease payments made at or before the commencement date less any lease incentives received (if any);

— any initial direct costs; and

— restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

(i) Variable lease payments

Variable lease payments that depend on an index or a rate are included in lease payments, initially measured using the index or rate as at the commencement date. They meet the definition of liabilities for the lessee because they are unavoidable and do not depend on any future activity of the lessee. Any uncertainty, therefore, relates to the measurement of the ability that arises from those payments and not to the existence of that ability.

At initial recognition, such payments are measured using the index or rate at the commencement date (without estimating changes in the index or rate over the reminder of the lease term). Variable lease payments that depend on an index or a rate are recognized in profit or loss in the period in which the condition that triggers those payments occurs. A 5% increase in an index or a rate on buildings in the Group with such variable lease contracts would increase total lease payments by approximately 1%.

4 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

As a lessee (Continued)

(ii) Extension options

Extension options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

As a lessor

The Group leases out its various offices and warehouses under non-cancellable operating lease arrangements. The lease terms are between 1 and 22 years. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor, except for a sub-lease. When the Group is an intermediate lessor, the sub-lease is classified with reference to the underlying asset.

The Group does not have sub-leases during the financial year of 2018. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The Group has accounted for its lease in accordance with HKFRS 16 from the date of initial application.

5 ESTIMATES

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31st December 2018, except for the impact from the changes in accounting policies as disclosed in Note 4.

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2018.

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

6.2 Liquidity risk

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

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient funds to meet operational needs while maintaining sufficient headroom on its undrawn committed banking facilities (Note 18) and complying with covenants (where applicable) on its banking facilities.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Liquidity risk (Continued)

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash mainly in time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group holds cash and cash equivalents balances of US$450,721,000 (31st December 2018: US$281,849,000), short-term bank deposits of US$21,842,000 (31st December 2018: US$33,961,000) and trade receivables of US$1,530,354,000 (31st December 2018: US$1,621,809,000) that are expected to generate cash inflows for managing liquidity risk.

6.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30th June 2019 and 31st December 2018. Refer to Note 14 for disclosures of the investment properties that are measured at fair value.

	As at 30th June 2019			
	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	1,003	—	768	1,771
Derivatives financial instruments	—	108,916	—	108,916
	1,003	108,916	768	110,687
Liabilities				
Derivatives financial instruments	—	(62,703)	—	(62,703)
Other payable — contingent consideration payable	—	—	(3,030)	(3,030)
	—	(62,703)	(3,030)	(65,733)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Fair value estimation (Continued)

	As at 31st December 2018			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Financial assets at fair value through other comprehensive income	1,043	—	879	1,922
Derivatives financial instruments	—	153,362	—	153,362
	1,043	153,362	879	155,284
Liabilities				
Derivatives financial instruments	—	(111,186)	—	(111,186)
Other payable — contingent consideration payable	—	—	(2,847)	(2,847)
	—	(111,186)	(2,847)	(114,033)

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

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

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

6.4 Valuation techniques used to derive Level 2 fair values

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Available-for-sale financial assets US$'000	Financial assets at fair value through other comprehensive income Note (i) US$'000	Financial assets at fair value through profit or loss Note (ii) US$'000	Other payable-contingent consideration payable Note (iii) US$'000
Six months period 30th June 2019				
Opening balance	**—**	**879**	**—**	**(2,847)**
Fair value loss	**—**	**(11)**	**—**	**—**
Unwinding of interests	**—**	**—**	**—**	**(183)**
Exchange differences	**—**	**(100)**	**—**	**—**
Closing balance	**—**	**768**	**—**	**(3,030)**
Six months period 30th June 2018				
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	—	—
Fair value (loss)/gain	—	(1)	—	3,600
Disposals	—	(89)	(21,517)	—
Unwinding of interests	—	—	—	(226)
Exchange differences	—	(551)	—	—
Closing balance	—	1,118	—	(2,620)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Notes:

(i) The majority of financial assets at fair value through other comprehensive income 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. Fair values of investments were determined based on discounted cash flows.

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

(iii) The valuation of contingent consideration payable is primarily based on the projected revenue from TP Vision Group and the adjusted operating profit/loss of the Group's TVs segment. The key assumptions adopted in the long term projections include 0% to 4% sales growth for the next five years, a perpetual growth not exceeding 3% beyond the fifth year and a discount rate of 15%. Other key assumptions applied in the valuation include the expected improvement in gross profit margin and reduction in costs. Management determined these key assumptions based on their experience in the industry and expectations on market development. If the future earnings before interest and tax ("EBIT"), revenue or gross margin increased with all other variables held constant, the contingent consideration would have been increased.

6.6 Group's valuation processes

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

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.7 Fair values of financial assets and liabilities measured at amortized cost

The fair values of the trade and other receivables, pledged bank deposits, short-term bank deposits with original maturities over 3 months, trade payables and other payables and accruals (excluding contingent consideration payable) as at 30th June 2019 approximate their carrying amounts due to their short maturities.

The fair values of borrowings (including bank overdraft and bank borrowings) as at 30th June 2019 approximate their carrying amounts as they bear interest at floating rates that are market dependent.

7 SEGMENT INFORMATION

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

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

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

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

7 SEGMENT INFORMATION (CONTINUED)

Segment assets consist primarily of intangible assets, property, plant and equipment, right-of-use assets, 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, current income tax recoverable, pledged bank deposits, short-term bank deposits, cash and cash equivalents and other unallocated assets, which are managed centrally.

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

The revenue reported to the CODM is measured in a manner consistent with that in the condensed consolidated interim income statement and is categorized according to the final destination of shipment. During the six months ended 30th June 2019 and 2018, revenue is substantially recognized at a point in time.

The following tables present revenue and adjusted operating profit/(loss) information regarding the Group's reportable segments for the six months ended 30th June 2019 and 2018 respectively.

	For the six months ended 30th June 2019			
	Monitors US$'000	TVs US$'000	Others US$'000	Total US$'000
Revenue	2,516,106	1,433,345	224,680	4,174,131
Adjusted operating profit/(loss)	97,256	(23,812)	(6,943)	66,501
Depreciation of property, plant and equipment	(25,304)	(33,202)	(193)	(58,699)
Depreciation of right-of-use assets	(1,325)	(5,083)	(324)	(6,732)
Amortization of intangible assets	(4,007)	(22,338)	(6,417)	(32,762)
Net impairment losses on financial assets	(119)	(3,522)	(361)	(4,002)
Impairment loss on value-added tax recoverable	—	(16,591)	—	(16,591)
Impairment loss on trademark	—	(3,209)	—	(3,209)
Capital expenditure	(27,266)	(29,424)	(802)	(57,492)

7 SEGMENT INFORMATION (CONTINUED)

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

The following tables present segment assets as at 30th June 2019 and 31st December 2018 respectively.

	As at 30th June 2019			
	Monitors US$'000	**TVs US$'000**	**Others US$'000**	**Total US$'000**
Segment assets	**2,343,836**	**1,674,679**	**156,344**	**4,174,859**

	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

7 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Adjusted operating profit for reportable segments	**66,501**	18,342
Unallocated income	**22,479**	34,242
Unallocated expenses	**(9,188)**	(9,042)
Operating profit	**79,792**	43,542
Finance income	**4,376**	3,658
Finance costs	**(25,959)**	(22,316)
Net monetary loss	**(3,835)**	—
Share of profits/(losses) of associates and a joint venture	**842**	(4,858)
Profit before income tax	**55,216**	20,026

7 SEGMENT INFORMATION (CONTINUED)

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

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Segment assets	**4,174,859**	4,354,146
Investment properties	**232,355**	232,260
Investments in associates	**40,007**	39,723
Investment in a joint venture	**728**	727
Financial assets at fair value through other comprehensive income	**1,771**	1,922
Deferred income tax assets	**66,211**	63,886
Current income tax recoverable	**7,207**	17,376
Pledged bank deposits	**1,692**	2,114
Short-term bank deposits	**21,842**	33,961
Cash and cash equivalents	**450,721**	281,849
Other unallocated assets	**28,720**	26,945
Total assets	**5,026,113**	5,054,909

7 SEGMENT INFORMATION (CONTINUED)

The analysis of revenue by geographical area is as follows:

	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Europe	**1,360,313**	1,526,549
The PRC	**1,035,382**	1,030,578
North America	**948,925**	977,629
South America	**319,638**	500,435
Rest of the world	**509,873**	476,410
	4,174,131	4,511,601

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

	As at 30th June 2019	As at 31st December 2018
	US$'000	US$'000
Europe	**132,891**	135,905
The PRC	**642,662**	644,125
North America	**10,549**	10,524
South America	**48,216**	45,331
Rest of the world	**478,652**	474,583
	1,312,970	1,310,468

8 OPERATING PROFIT

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

	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Realized and unrealized gains on derivative instruments — net	**6,184**	15,396
Net exchange losses	**(510)**	(46,453)
Gains on disposals of property, plant and equipment	**256**	392
Losses on disposal of right-of-use assets — net	**(29)**	—
Loss on disposal of a subsidiary	**—**	(1,622)
Gain on remeasurement of contingent consideration payable	**—**	3,600
Impairment loss on value-added tax recoverable	**(16,591)**	—
Impairment losses on trademarks	**(3,209)**	(5,000)
Gains on disposal of financial assets at fair value through profit or loss	**3,179**	4,989
Employee benefit expenses (including directors' emoluments)	**(254,816)**	(275,798)
Expenses relating to short-term or low-value leases	**(2,695)**	—
Operating lease rental for land, buildings and machinery	**—**	(10,175)
Amortization of intangible assets	**(32,762)**	(32,774)
Amortization of land use rights	**—**	(249)
Depreciation of property, plant and equipment	**(58,699)**	(61,397)
Depreciation of right-of-use assets	**(6,732)**	—
Royalty expenses — net	**(3,757)**	(29,788)
Charge for warranty provision	**(62,503)**	(60,268)
Provision for restructuring and other provisions	**(318)**	(1,084)

9 FINANCE COSTS — NET

	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Interest expenses		
— Interest expense on bank borrowings and factoring arrangements	**(22,145)**	(20,000)
Unwinding of interests		
— Unwinding of interests on license fee payable	**(2,281)**	(2,090)
— Unwinding of interests on contingent consideration payable	**(183)**	(226)
— Unwinding of interests on lease liabilities	**(1,350)**	—
Finance costs	**(25,959)**	(22,316)
Interest income on cash at bank and bank deposits	**4,376**	3,658
Finance costs — net	**(21,583)**	(18,658)

10 NET MONETARY LOSS

Argentina was assessed as a hyperinflationary economy effective from 1st July 2018 based on the fact that the cumulative inflation for the three years ended 30th June 2018 exceeded 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 July 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 impact on monetary balance for the change in price index amounting to US$3,835,000 was recognized as 'net monetary loss' in the condensed consolidated interim income statement for the six months ended 30th June 2019 (six months ended 30th June 2018: Nil). 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.

11 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits generated in Hong Kong for the six months ended 30th June 2019 and 2018.

Taxation on profits has been calculated on the estimated assessable profits for the six months ended 30th June 2019 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

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

	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Current income tax charge	**(29,977)**	(15,926)
Deferred income tax credit/(charge)	**1,181**	(16,046)
Income tax expense	**(28,796)**	(31,972)

12 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Six months ended 30th June	
	2019	2018
Profit/(loss) attributable to owners of the Company (US$'000)	**26,818**	(10,342)
Weighted average number of ordinary shares in issue (thousands)	**2,345,636**	2,345,636
Basic earnings/(loss) per share (US cent per share)	**1.14**	(0.44)

(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 market share price of the Company's shares) during the period based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings/(loss) per share for the six months ended 30th June 2019 and 2018 equal basic profit/(loss) per share as the exercise of the outstanding share options would be anti-dilutive.

13 DIVIDENDS

The board of directors does not recommend the payment of interim dividend for the six months ended 30th June 2019 (six months ended 30th June 2018: Nil).

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

	Intangible assets US$'000	Property, plant and equipment US$'000	Land use rights US$'000	Investment properties US$'000
At 1st January 2019				
Cost/fair value	752,142	1,248,532	20,183	232,260
Accumulated amortization/depreciation and impairment losses	(221,836)	(757,256)	(4,007)	—
Net book amount	530,306	491,276	16,176	232,260
Six months ended 30th June 2019				
Opening net book amount at 1st January 2019	530,306	491,276	16,176	232,260
Changes in accounting policies (Note 4)	—	—	(16,176)	—
Restated net book amount at 1st January 2019	530,306	491,276	—	232,260
Exchange differences	(559)	50	—	95
Additions	11,824	41,089	—	—
Disposals	—	(1,210)	—	—
Impairment (Note)	(3,209)	—	—	—
Amortization/depreciation	(32,762)	(58,699)	—	—
Hyperinflationary effect	—	1,590	—	—
Closing net book amount at 30th June 2019	505,600	474,096	—	232,355
At 30th June 2019				
Cost/fair value	758,367	1,257,915	—	232,355
Accumulated amortization/depreciation and impairment losses	(252,767)	(783,819)	—	—
Net book amount	505,600	474,096	—	232,355

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

	Intangible assets US$'000	Property, plant and equipment US$'000	Land use rights US$'000	Investment properties US$'000
At 1st January 2018				
Cost/fair value	690,168	1,212,254	21,754	238,288
Accumulated amortization/depreciation and impairment losses	(145,051)	(709,603)	(3,797)	—
Net book amount	545,117	502,651	17,957	238,288
Six months ended 30th June 2018				
Opening net book amount at 1st January 2018	545,117	502,651	17,957	238,288
Exchange differences	(3,127)	(7,731)	(133)	(1,432)
Additions	79,764	47,833	—	—
Disposals	—	(83)	—	—
Impairment (Note)	(5,000)	—	—	—
Amortization/depreciation	(32,774)	(61,397)	(249)	—
Closing net book amount at 30th June 2018	583,980	481,273	17,575	236,856
At 30th June 2018				
Cost/fair value	726,243	1,223,901	21,586	236,856
Accumulated amortization/depreciation and impairment losses	(142,263)	(742,628)	(4,011)	—
Net book amount	583,980	481,273	17,575	236,856

Note:

For the six months ended 30th June 2019, impairment charge for the Group was included in 'other losses — net' amounted to US$3,209,000 (six months ended 30th June 2018: US$5,000,000) in the condensed consolidated interim income statement.

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

Fair values using significant unobservable inputs (Level 3)

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Recurring fair value measurements		
Investment properties:		
— Industrial buildings — the PRC	**129,641**	129,641
— Industrial building — Poland	**8,671**	8,671
— Office and commercial building — the PRC	**94,043**	93,948
	232,355	232,260

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

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

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Balances recognized in the condensed consolidated interim balance sheet

Right-of-use assets

	Buildings US$'000	Land use rights US$'000	Machinery and equipment US$'000	Transportation equipment US$'000	Total US$'000
Balance at 1st January 2019	—	—	—	—	—
Changes in accounting policies (Note 4)	41,767	16,176	325	4,048	62,316
Restated balance at 1st January 2019	41,767	16,176	325	4,048	62,316
Additions	3,770	—	9	800	4,579
Disposals	(109)	—	(16)	(87)	(212)
Depreciation	(5,589)	(185)	(81)	(877)	(6,732)
Exchange differences	266	11	3	(47)	233
Balance at 30th June 2019	40,105	16,002	240	3,837	60,184

Lease liabilities

	As at 30th June 2019 US$'000
Current portion	15,652
Non-current portion	33,709
	49,361

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Amounts recognized in the condensed consolidated interim income statement

	Six months ended 30th June 2019 US$'000
Depreciation charge of right-of-use assets	**6,732**
Unwinding of interests on lease liabilities	**1,350**
Expenses relating to short-term and low-value leases	**2,695**

The total cash outflow of leases for the six months ended 30th June 2019 was approximately US$9,352,000.

The lease for one of the Group's factories in the PRC will expire within 12 months as at 30th June 2019. Management is currently negotiating with the local government for acquiring the respective land and factory at the end of lease term while the acquisition is expected to be completed in the first quarter of 2020. Management has reached an agreement with the local government subsequent to period end for the extension of the lease agreement until the acquisition is completed.

16 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Non-current		
Prepayments	**4,686**	3,105
Other receivables		
— Value-added tax recoverable	**17,295**	17,250
— Others	**22,413**	18,837
	44,394	39,192
Impairment loss on value-added tax recoverable	**(17,295)**	—
Prepayments and other receivables — net	**27,099**	39,192
Current		
Trade receivables	**1,637,137**	1,725,792
Loss allowance	**(106,783)**	(103,983)
Trade receivables — net	**1,530,354**	1,621,809
Deposits	**6,316**	6,299
Prepayments	**33,524**	35,843
Other receivables		
— Value-added tax recoverable	**102,751**	130,396
— Others	**65,360**	88,023
	207,951	260,561
Total	**1,765,404**	1,921,562

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

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

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

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
0–30 days	**607,116**	277,950
31–60 days	**535,911**	779,070
61–90 days	**302,191**	435,182
Over 90 days	**191,919**	233,590
	1,637,137	1,725,792

17 SHARE CAPITAL

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Authorized:		
4,000,000,000 (2018: 4,000,000,000) ordinary shares of US$0.01 each	**40,000**	40,000
Issued and fully paid:		
2,345,636,139 (2018: 2,345,636,139) ordinary shares of US$0.01 each	**23,456**	23,456

17 SHARE CAPITAL (CONTINUED)

Under the share option scheme which was approved on 15th May 2003 ("2003 Scheme"), the exercise price of the options granted on 18th January 2011 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).

Under the share option scheme which was approved on 2nd November 2015 ("2015 Scheme"), the Company granted 45,000,000 share options to certain employees on 17th March 2017. 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$1.770, 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:

	Unaudited			
	Six months ended 30th June			
	2019		2018	
	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	**2.758**	**64,770**	2.806	66,170
Lapsed (Note (a))	**5.008**	**(700)**	5.008	(200)
At 30th June	**2.734**	**64,070**	2.799	65,970

17 SHARE CAPITAL (CONTINUED)

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

		Exercise price in HK$ per share option	Number of share options (thousands)		
	Expiry date		As at 1st January 2019	Lapsed during the period	As at 30th June 2019
2003 Scheme	17th January 2021 (Note (b))	HK$5.008	19,770	(700)	19,070
2015 Scheme	1st November 2025 (Note (c))	HK$1.770	45,000	—	45,000
			64,770	(700)	64,070

Notes:

(a) For the six months ended 30th June 2019, 700,000 share options (six months ended 30th June 2018: 200,000) 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.

18 BORROWINGS

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Non-current		
Bank borrowings	**285,649**	355,731
Current		
Bank overdraft	**6,507**	10,434
Bank borrowings	**212,575**	16,304
	219,082	26,738
Total borrowings	**504,731**	382,469

The bank overdraft and bank borrowings bear interest at floating rates that are market dependent.

Movements in borrowings are analyzed as follows:

	Six months ended 30th June 2019 US$'000	2018 US$'000
At 1st January	**382,469**	581,840
Net inception/(repayment) of short-term borrowings	**53,593**	(23,875)
Inception of long-term borrowings	**75,000**	—
Exchange differences	**(6,331)**	(4,865)
At 30th June	**504,731**	553,100

18 BORROWINGS (CONTINUED)

As at 30th June 2019 and 31st December 2018, the Group's borrowings were repayable as follows:

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Within one year	**219,082**	26,738
Between one and two years	**240,649**	355,731
Between two and three years	**45,000**	—
At 30th June	**504,731**	382,469

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

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Total available and undrawn facilities	**2,387,701**	2,185,999

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Non-current		
License fee payable	**88,163**	112,539
Contingent consideration payable (Note (a))	**3,030**	2,847
Accrued employee benefits	**2,051**	2,401
Others	**7,586**	1,204
	100,830	118,991
Current		
Trade payables	**1,760,286**	1,805,125
Other payables and accruals		
— Accrued employee benefits	**96,405**	108,151
— Accrued operating expenses	**116,091**	118,362
— Contract liabilities (Note (b))	**7,258**	5,368
— Duty and tax payable other than income tax	**50,056**	56,202
— License fee payable	**85,053**	61,440
— Payables under discounting arrangement	**104,377**	220,585
— Payables for purchase of property, plant and equipment	**73,232**	80,542
— Royalty payables	**131,703**	163,017
— Others	**80,955**	52,215
	745,130	865,882
Total	**2,606,246**	2,789,998

19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

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 condensed consolidated interim income statement.

(b) The Group has recognized the following liabilities related to contracts with customers in accordance with HKFRS 15 "Revenue from contracts with customers":

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
Contract liabilities — shipping services	**657**	359
Contract liabilities — warranty services	**6,601**	5,009
Total current contract liabilities	**7,258**	5,368

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

	As at 30th June 2019 US$'000	As at 31st December 2018 US$'000
0–30 days	**725,347**	744,075
31–60 days	**557,665**	563,271
61–90 days	**263,831**	198,175
Over 90 days	**213,443**	299,604
	1,760,286	1,805,125

20 WARRANTY AND OTHER PROVISIONS

	Six months ended 30th June							
	2019				2018			
	Warranty provision US$'000	Restructuring provision US$'000	Other provisions US$'000	Total US$'000	Warranty provision US$'000	Restructuring provision US$'000	Other provisions US$'000	Total US$'000
At 1st January	**172,484**	**5,220**	**1,467**	**179,171**	193,565	5,866	5,606	205,037
Changes in accounting policies (Note 4)	**—**	**(1,749)**	**254**	**(1,495)**	—	—	—	—
Restated balance at 1st January	**172,484**	**3,471**	**1,721**	**177,676**	193,565	5,866	5,606	205,037
Exchange differences	**(3,614)**	**(20)**	**(19)**	**(3,653)**	(5,989)	(110)	(214)	(6,313)
Charged to the income statement	**62,503**	**203**	**115**	**62,821**	60,268	957	127	61,352
Utilized during the period	**(65,084)**	**(241)**	**—**	**(65,325)**	(60,510)	(1,526)	(1,025)	(63,061)
At 30th June	**166,289**	**3,413**	**1,817**	**171,519**	187,334	5,187	4,494	197,015

20 WARRANTY AND OTHER PROVISIONS (CONTINUED)

Analysis of warranty and other provisions:

	As at 30th June 2019				As at 31st December 2018			
	Warranty provision US$'000	**Restructuring provision US$'000**	**Other provisions US$'000**	**Total US$'000**	Warranty provision US$'000	Restructuring provision US$'000	Other provisions US$'000	Total US$'000
Non-current liabilities	**—**	**—**	**1,764**	**1,764**	—	—	1,458	1,458
Current liabilities	**166,289**	**3,413**	**53**	**169,755**	172,484	5,220	9	177,713
Total	**166,289**	**3,413**	**1,817**	**171,519**	172,484	5,220	1,467	179,171

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within an average period ranging from twelve months to thirty-six months. The provisions as at 30th June 2019 and 31st December 2018 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.

21 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.

On 18th June 2019, the court dismissed the case according to a settlement between the parties.

22 COMMITMENTS

(a) Capital commitments

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

	At 30th June 2019 US$'000	At 31st December 2018 US$'000
Property, plant and equipment	**27,833**	28,027

(b) Operating lease commitments — Group as lessor

The Group leases out various offices and warehouses under non-cancellable operating lease arrangements. The lease terms are between 1 and 22 years, and the majority of lease arrangements are renewable at the end of the lease period.

The future aggregate minimum lease payment receivable under non-cancellable operating leases is as follows:

	At 30th June 2019 US$'000	At 31st December 2018 US$'000
Less than one year	**15,167**	14,949
One to two years	**9,223**	11,746
Two to three years	**7,768**	7,794
Three to four years	**6,754**	6,884
Four to five years	**6,666**	6,282
More than five years	**80,047**	81,057
Total	**125,625**	128,712

23 RELATED PARTY TRANSACTIONS

As at 30th June 2019, the major shareholders of the Company are CEC, Mitsui & Co., Ltd ("Mitsui") and Innolux Corporation ("Innolux"), which owned 37.05%, 18.20% and 6.42% of the Company's issued shares respectively.

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

For the purpose of related party disclosure, the Group has identified to the extent practicable whether its customers and suppliers are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatization programs. In the ordinary course of the Group's business, the Group has certain transactions with state-owned enterprises including but not limited to sales and purchases of goods and services, payments for utilities, acquisition and sales of property, plant and equipment and depositing and borrowing money.

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

During the six months ended 30th June 2019 and 2018, the Group had the following significant transactions with its associates and its substantial shareholders, CEC and Innolux.

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

	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Sales of goods to associates	**90,586**	94,464
Sales of goods and services to CEC and its subsidiaries	**3,252**	265
Sale of a financial asset at fair value through profit or loss to CEC and its subsidiaries	—	24,863
Purchases of goods and services from associates	**(49,829)**	(54,264)
Purchases of goods and services from CEC and its subsidiaries	**(182,229)**	(105,179)
Purchases of goods from Innolux and its subsidiaries	**(75,755)**	(112,708)
Rental income from associates	**1,087**	1,055
Reimbursement of warranty cost from an associate	**428**	725
Interest income from CEC and its subsidiaries	**306**	11
Royalty paid to CEC and its subsidiaries	**(27)**	(36)
Rental expense to CEC and its subsidiaries	**(147)**	(188)

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

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

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

	Six months ended 30th June	
	2019	2018
	US$'000	US$'000
Salaries and other short-term employee benefits	**1,023**	1,030
Share-based payments	**15**	26
	1,038	1,056

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Period/year-end balances

	At 30th June 2019 US$'000	At 31st December 2018 US$'000
Receivables from associates (Note (i))	**81,766**	55,474
Receivables from substantial shareholders and their subsidiaries (Note (i))		
— CEC and its subsidiaries	**2,637**	2,583
Cash placed in substantial shareholders and their subsidiaries (Note (ii))		
— CEC and its subsidiaries	**21,842**	27,634
Payables to associates (Note (iii))	**19,587**	21,926
Payables to substantial shareholders and their subsidiaries (Note (iii))		
— CEC and its subsidiaries	**40,644**	50,703
— Innolux and its subsidiaries	**20,322**	25,048
	60,966	75,751

23 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Notes:

(i) Receivables from associates and substantial shareholders were mainly presented in the condensed consolidated interim balance sheet within 'trade receivables' and 'deposits, prepayments and other receivables'. 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 terms of three years commencing on 1st January 2018 to 31st December 2020.

(iii) Payables to associates and substantial shareholders and their subsidiaries were mainly presented in the condensed consolidated interim balance sheet within 'trade payables' and 'other payables and accruals'. The payables bear no interest with repayment date due within one year.

24 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 8th August 2019, CEIEC (H.K.) Limited ("CEIEC HK"), a wholly-owned subsidiary of CEC, which is a substantial shareholder of TPV, put forward a proposal for the privatization and withdrawal of the Group's listing status at a price of HK$3.86 per share. A joint announcement was published by CEIEC HK and the Group on 12th August 2019 for shareholders information.

25 SEASONALITY OF OPERATIONS

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

www.tpv-tech.com