TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

— The Group recorded a profit attributable to shareholders of US$21.9 million (2017: loss of US$50.6 million)

— Gross profit margin improved 100 basis point to 9.2% (2017: 8.2%)

— Proposed final dividend US0.28 cent per share

FINANCIAL RESULTS

The board of directors (the "Board") of TPV Technology Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries ("TPV" or the "Group") for the year ended 31st December 2018 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	**2018** *US$'000*	2017 *US$'000*
Revenue	*3*	**9,147,635**	9,584,710
Cost of sales		**(8,305,635)**	(8,801,254)
Gross profit		**842,000**	783,456
Other income	*4*	**71,815**	57,415
Other losses, net	*5*	**(38,938)**	(38,431)
Selling and distribution expenses		**(394,104)**	(398,202)
Administrative expenses		**(155,185)**	(222,909)
Research and development expenses		**(176,863)**	(179,504)
Net impairment losses on financial assets	*11*	**(25,194)**	—
Operating profit	*6*	**123,531**	1,825

	Note	2018 US$'000	2017 US$'000
Finance income	7	**7,063**	4,647
Finance costs	7	**(46,827)**	(38,898)
Finance costs, net	7	**(39,764)**	(34,251)
Net monetary loss	13	**(12,947)**	—
Share of losses of associates and a joint venture		**(1,915)**	(4,501)
Profit/(loss) before income tax		**68,905**	(36,927)
Income tax expenses	8	**(53,855)**	(20,863)
Profit/(loss) for the year		**15,050**	(57,790)
Profit/(loss) attributable to:			
Owners of the Company		**21,913**	(50,614)
Non-controlling interests		**(6,863)**	(7,176)
		15,050	(57,790)
Earnings/(loss) per share attributable to owners of the Company			
— Basic and diluted	9	**US0.93 cents**	(US2.16) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2018

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

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2018

	Note	**2018**	2017
		US$'000	*US$'000*
Assets			
Non-current assets			
Intangible assets		**530,306**	545,117
Property, plant and equipment		**491,276**	502,651
Land use rights		**16,176**	17,957
Investment properties		**232,260**	238,288
Investments in associates		**39,723**	43,838
Investment in a joint venture		**727**	—
Derivative financial instruments		**57,647**	4,289
Available-for-sale financial assets		**—**	3,168
Financial assets at fair value through other comprehensive income		**1,922**	—
Deferred income tax assets		**63,886**	81,519
Prepayments and other receivables	*11*	**39,192**	24,290
		1,473,115	1,461,117
Current assets			
Inventories		**1,268,409**	1,317,821
Trade receivables	*11*	**1,621,809**	1,983,543
Deposits, prepayments and other receivables	*11*	**260,561**	260,792
Financial assets at fair value through profit or loss		**—**	21,517
Current income tax recoverable		**17,376**	7,944
Derivative financial instruments		**95,715**	31,070
Pledged bank deposits		**2,114**	905
Short-term bank deposits		**33,961**	29,295
Cash and cash equivalents		**281,849**	450,393
		3,581,794	4,103,280
Total assets		**5,054,909**	5,564,397

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

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), contingent consideration payable, investment properties, defined benefit pension plans — plan assets, which are carried at fair value and adjustments for the effects of inflation where an entity operates in a hyperinflationary economy.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The Group has applied the following new standards and amendments to standards for the first time for their annual reporting period commencing 1st January 2018:

Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014–2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

Detailed impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 2.1 below.

(b) New standards and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle	1st January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1st January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1st January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1st January 2019
HKFRS 16	Leases	1st January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1st January 2019
HKFRS 17	Insurance contracts	1st January 2021
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1st January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Note

Note: To be announced by HKICPA

HKFRS 16 "Leases" — effective for financial years beginning on or after 1st January 2019

Nature of change

HKFRS 16 will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. In the consolidated income statement, rental expenses are not recognized while amortization arising from the right-of-use assets and interest expense on the lease liabilities are recognized.

Impact

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

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1st January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied.

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

2.1 Changes in accounting policies

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

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

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

Consolidated balance sheet (extract)	**31st December 2017 as originally presented** *US$'000*	**Effects of the adoption of HKFRS 9** *US$'000*	**Effects of the adoption of HKFRS 15** *US$'000*	**1st January 2018 Restated** *US$'000*
Non-current assets				
Available-for-sale financial assets	3,168	(3,168)	—	—
Financial assets at fair value through other comprehensive income	—	3,168	—	3,168
Current assets				
Trade receivables	1,983,543	(21,514)	—	1,962,029
Current liabilities				
Other payables and accruals	958,663	—	7,203	965,866
Warranty and other provisions	203,520	—	(5,545)	197,975
Equity				
Retained profits	770,312	(19,208)	(1,658)	749,446
Non-controlling interests	4,615	(2,306)	—	2,309

(a) HKFRS 9 Financial Instruments — Impact of adoption

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

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

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

(i) Classification and measurements

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and classified its financial assets into the approximate HKFRS 9 categories. The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale financial assets in other comprehensive income in the consideration that these investments are held as long-term strategic investments and are not expected to be sold in the short to medium term.

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

	Available-for-sale financial assets *US$'000*	**Financial assets at fair value through other comprehensive income** *US$'000*
Closing balance at 31st December 2017 — HKAS 39	3,168	—
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(3,168)	3,168
Opening balance at 1st January 2018 — HKFRS 9	—	3,168

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

	Available-for-sale financial assets fair value reserve *US$'000*	**Financial assets at fair value through other comprehensive income fair value reserve** *US$'000*
Closing balance at 31st December 2017 — HKAS 39	950	—
Reclassify investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(950)	950
Opening balance at 1st January 2018 — HKFRS 9	—	950

Reclassification of financial instruments on the adoption of HKFRS 9

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

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

(ii) Impairment of financial assets

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

- Trade receivables; and
- Other receivables

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

Trade and other receivables of the Group are subject to the expected credit loss model.

While other receivables, cash and cash equivalents, short-term bank deposits and pledged bank deposits are also subject to the impairment requirement of HKFRS 9, the identified impairment losses were immaterial.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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

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

	Trade receivables *US$'000*
Loss allowance at 31st December 2017 — HKAS 39	81,387
Amounts additionally provided through opening retained profits on the adoption of HKFRS 9	21,514
Opening loss allowance as 1st January 2018 — HKFRS 9	102,901
Increase in loss allowance recognized in profit and loss during the year	24,853
Receivables written off during the year as uncollectible	(19,377)
Exchange differences	(4,394)
Loss allowance at 31st December 2018	**103,983**

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

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

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

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

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

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

3. 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 losses of associates and a joint venture, net monetary loss and unallocated income and expenses are not included in the result for each of the operating segment that is reviewed by the Group's CODM.

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

Segment assets consist primarily of intangible assets, property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables, and derivative financial assets. They exclude investment properties, investments in associates, investment in a joint venture, financial assets at fair value through other comprehensive income, deferred income tax assets, financial assets at fair value through profit or loss, current income tax recoverable, pledged bank deposits, short-term bank deposits, cash and cash equivalents and other unallocated assets, which are managed centrally.

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

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

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

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

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

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

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

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

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

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

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

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

The analysis of revenue by geographical areas is as follows:

	2018	2017
	US$'000	*US$'000*
Europe	**3,169,832**	2,788,203
The People's Republic of China (The "PRC")	**2,107,568**	2,655,756
North America	**2,144,778**	2,360,393
South America	**747,322**	825,704
Rest of the world	**978,135**	954,654
	9,147,635	9,584,710

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

	2018	2017
	US$'000	*US$'000*
The PRC	**644,125**	669,430
Europe	**135,905**	174,205
North America	**10,524**	11,253
South America	**45,331**	47,383
Rest of the world	**474,583**	445,580
	1,310,468	1,347,851

4. OTHER INCOME

	2018	2017
	US$'000	*US$'000*
Fiscal refund, government grant and technical innovation subsidy	**46,661**	31,424
Income from sales of scrap materials	**5,455**	4,185
Rental income	**15,913**	14,178
Miscellaneous income	**3,786**	7,628
	71,815	57,415

5. OTHER LOSSES, NET

	2018	2017
	US$'000	*US$'000*
Realized and unrealized gains/(losses) on derivative financial instruments — net	**39,900**	(99,193)
Net exchange (losses)/gains	**(66,534)**	58,800
Impairment loss on goodwill	**—**	(30,000)
Impairment losses on trademarks	**(20,576)**	—
Fair value gains on financial assets at fair value through profit or loss	**—**	1,373
Net fair value (losses)/gains on revaluation of investment properties	**(1,253)**	13,617
Gains on disposal of property, plant and equipment and land use right — net	**2,642**	819
Gains on disposal of financial assets at fair value through profit or loss	**4,987**	5,312
Gain/(loss) on remeasurement of contingent consideration payable	**3,600**	(2,323)
(Losses)/gains on disposal of subsidiaries- net	**(1,704)**	646
Losses on disposal of associates and a joint venture — net	**—**	(48)
Release of trademark license fee payable	**—**	12,566
	(38,938)	(38,431)

6. OPERATING PROFIT

The following items have been charged to the operating profit during the year:

	2018	2017
	US$'000	*US$'000*
Cost of inventories	**7,599,061**	8,060,050
Employee benefit expenses (including directors' emoluments)	**535,486**	514,106
Amortization of intangible assets	**69,858**	59,104
Depreciation of property, plant and equipment	**121,314**	113,315
Amortization of land use rights	**479**	497
Operating lease rental for land, buildings and machinery	**19,924**	18,699
Provision for impairment of trade receivables *(Note)*	**—**	68,245
Provision for impairment of other receivables *(Note)*	**—**	215
Net impairment losses on financial assets *(Note)*	**25,194**	—
Charge for warranty provisions	**127,593**	165,869
Royalty expense	**49,906**	64,060
Provision for restructuring and other provisions	**198**	3,256
Write-off of value-added tax recoverable	**—**	900
Donations	**289**	249

Note:

With effect from 1st January 2018, the loss allowance for trade and other receivables is separately disclosed as "net impairment losses on financial assets".

7. FINANCE COSTS, NET

	2018	2017
	US$'000	*US$'000*
Interest expenses		
— Interest expense on bank borrowings and factoring arrangements	**41,484**	33,485
— Interest expense on loans	**—**	582
Unwinding of interests		
— Unwinding of interests on license fee payable	**4,890**	4,049
— Unwinding of interests on contingent consideration payable	**453**	782
Finance costs	**46,827**	38,898
Interest income on cash at bank and bank deposits	**(7,063)**	(4,647)
Finance costs, net	**39,764**	34,251

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2017: Nil).

Taxation on profits has been calculated on the estimated assessable profit/(loss) for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

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

	2018	2017
	US$'000	*US$'000*
Current income tax charge		
— Current year	**39,984**	37,714
— (Over)/under-provision in respect of prior years	**(810)**	409
Deferred income tax charge/(credit)	**14,681**	(17,260)
Income tax expense	**53,855**	20,863

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2018	2017
Profit/(loss) attributable to owners of the Company *(US$'000)*	**21,913**	(50,614)
Weighted average number of ordinary shares in issue *(thousands)*	**2,345,636**	2,345,636
Basic earnings/(loss) per share *(US cents per share)*	**0.93**	(2.16)

(b) Diluted

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

Diluted earnings/(loss) per share for the year ended 31st December 2018 and 2017 equal basic earnings/(loss) per share as the exercise of the outstanding share options would be anti-dilutive.

10. DIVIDENDS

	2018	2017
	US$'000	*US$'000*
Final, proposed, of US0.28 cent (2017: US0.128 cent) per ordinary share	**6,568**	3,002

A dividend in respect of the year ended 31st December 2018 of US0.28 cent per share (2017: US0.128 cent per share) was proposed by the Board of directors on 15th March 2019 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to US$6,568,000 has not been recognized as a liability in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2019.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	US$'000	*US$'000*
Non-current		
Prepayments	**3,105**	—
Other receivables	**36,087**	24,290
	39,192	24,290
Current		
Trade receivables	**1,725,792**	2,064,930
Loss allowance	**(103,983)**	(81,387)
Trade receivables, net	**1,621,809**	1,983,543
Deposits	**6,299**	6,253
Prepayments	**35,843**	35,216
Other receivables		
— Value-added tax recoverable	**130,396**	142,253
— Others	**88,023**	77,070
	260,561	260,792
Total	**1,921,562**	2,268,625

The Group's sales are on credit terms primarily from 30 to 90 days and certain sales are on letters of credit or documents against payment.

As at 31st December 2018 and 2017, the ageing analysis of gross trade receivables based on invoice date was as follows:

	2018	2017
	US$'000	*US$'000*
0–30 days	**277,950**	432,988
31–60 days	**779,070**	883,633
61–90 days	**435,182**	438,913
Over 90 days	**233,590**	309,396
	1,725,792	2,064,930

Movements on the loss allowance for trade receivables are as follows:

	2018	2017
	US$'000	*US$'000*
At 1st January	**81,387**	22,458
Amounts additionally provided through opening retained profits on the adoption of HKFRS 9	**21,514**	—
Provision for impairment of trade receivables	**—**	68,245
Increase in loss allowance recognized in profit and loss during the year *(Note)*	**24,853**	—
Receivables written off during the year as uncollectible	**(19,377)**	(10,698)
Exchange differences	**(4,394)**	1,382
At 31st December	**103,983**	81,387

Note:

The Group recognized loss allowance for financial assets as follows:

	2018	2017
	US$'000	*US$'000*
Loss allowance		
— Trade receivables	**24,853**	—
— Other receivables	**341**	—
Net impairment losses on financial assets	**25,194**	—

12. TRADE PAYABLES

As at 31st December 2018 and 2017, the ageing analysis of trade payables based on invoice date was as follows:

	2018	2017
	US$'000	*US$'000*
0–30 days	**744,075**	790,415
31–60 days	**563,271**	680,871
61–90 days	**198,175**	271,564
Over 90 days	**299,604**	281,202
	1,805,125	2,024,052

13. NET MONETARY LOSS

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

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

The economy of Argentina was assessed to be hyperinflationary effective 1st July 2018 and hyperinflation accounting was applied for the year ended 31st December 2018. Accordingly, the results and financial position of the Group's Argentine subsidiary have been expressed in terms of the current measuring units at the reporting date.

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

Current year impact on monetary balances for the change in price index amounting to US$12,947,000 was recognized as "net monetary loss" in the consolidated income statement.

FINAL DIVIDEND

The Board will recommend at the forthcoming annual general meeting the payment of a final dividend of US0.28 cent (2017: US0.128 cent) per share payable in cash to shareholders whose names appearing on the registers of members of the Company on Thursday, 23rd May 2019.

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

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

CLOSURE OF REGISTERS OF MEMBERS

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

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

INDUSTRY OVERVIEW

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

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

GROUP PERFORMANCE

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

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

TVs

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

The performance of Philips TV in Europe was particularly encouraging in 2018. Although the volume shipped was approximately the same as the previous year, the change in the product mix which saw shipment of 50-inches and above TVs increase 60% year-on-year, underpinning the success of the Group's strategy to focus on large screens.

On the other hand, shipments to China were hit by macro-economic challenges and intense competition from some other brands, who have been reducing their prices significantly to increase their market share. As a result, total shipments to the China market declined by about 30% in the year. Furthermore, the ODM business came under pressure as the Group's customers slowed their shipments in the face of stiff market competition. Despite this, the Group maintained its position as a reliable ODM TV manufacturer and raised its supply share for some of its customers. Moreover, the Group continued to diversify its customer base by adding new clients in different geographies.

Monitors

The Group shipped 46.1 million units of monitors during the year, representing an increase of about 5.4% over the same period last year, attributable to the strength of the Group's ODM business in Europe and North America. Segment revenue also increased by 4.3% to US$5.08 billion (2017: US$4.87 billion) on a stable ASP of US$110.20 (2017: US$111.40). Size migration and changes in product mix helped to bolster selling prices as well as neutralise the effects of declining key component prices. The segment GP margin held up at 8.1% (2017: 8.3%) resulting in an adjusted OP amounting to US$184.1 million, representing about 8 percent increase over the previous year (2017: US$170.6 million).

During the year, the Group earned accreditation from its long-term customers who are international top PC brands as a reliable supplier offering superb quality. It further solidified the Group's leading position in the sector, helping us to gain additional market share. In 2018, the Group's manufacturing volume accounted for 36.2% of global manufacturing volume (2017: 35%).

OPERATIONS REVIEW

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

The Group continued to focus on automation and invested a total of around US$11 million to energise its monitor and TV production lines. For example, in the Fuqing factory, the manual insertion of PCB ("printed circuit board") was integrated with SMT ("surface-mount technology") production, removing the need for wave soldering. The production process was also streamlined, bringing greater efficiencies and keeping costs down. Furthermore, the Group reorganized the customer service structure in China, bringing greater resource efficiency without compromising on the service quality delivered to end customers. Three repair centres were closed, and partnerships were formed with reputable technical-support suppliers in strategic locations.

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

INNOVATION AND DEVELOPMENT

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

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

HUMAN RESOURCES

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

LIQUIDITY, FINANCIAL RESOURCES, AND CAPITAL STRUCTURE

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

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

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

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

FOREIGN EXCHANGE RISK

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

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 Board does 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.

PURCHASE, SALE AND REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE CODE

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

During the financial year of 2018, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, except for deviations from code provisions A.2.1 and A.4.1 of the CG Code, the reasons for which are explained below.

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

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 no less exacting than the required standards set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules.

Specific enquiries have been made with all the directors, who have confirmed that they complied with the required standards set out in the Model Code and in the Internal Rules during the year ended 31st December 2018.

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

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement. The Audit Committee has reviewed the annual results for the year ended 31st December 2018.

ANNUAL REPORT

The Annual Report for the year ended 31st December 2018 will be despatched to shareholders and will be published on the websites of the Exchange (www.hkex.com.hk) and Singapore Exchange Ltd (www.sgx.com) as well as the website of the Company (www.tpv-tech.com) in due course.

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting will be held on Thursday, 16th May 2019. Notice of Annual General Meeting will be published on the websites of the Exchange and Singapore Exchange Ltd as well as the website of the Company, and despatched to shareholders in due course.

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

Hong Kong, 15th March 2019

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