TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2019

INTERIM RESULTS

The board of directors (the "Board") of TPV Technology Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries ("TPV" or the "Group") for the six months ended 30th June 2019 together with the comparative figures for the previous period as follows:

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	*4*	**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	*4 & 5*	**79,792**	43,542
Finance income		**4,376**	3,658
Finance costs		**(25,959)**	(22,316)
Finance costs — net	*6*	**(21,583)**	(18,658)

		Unaudited	
		Six months ended 30th June	
		2019	2018
	Note	***US$'000***	*US$'000*
Net monetary loss	*7*	**(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	*8*	**(28,796)**	(31,972)
Profit/(loss) for the period		**26,420**	(11,946)
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	*9*	**US1.14 cents**	(US0.44 cent)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Unaudited Six months ended 30th June	
	2019	2018
	US$'000	*US$'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)

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	11	**505,600**	530,306
Property, plant and equipment	11	**474,096**	491,276
Land use rights	11	**—**	16,176
Right-of-use assets	12	**60,184**	—
Investment properties	11	**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	13	**27,099**	39,192
		1,440,850	1,473,115
Current assets			
Inventories		**1,289,379**	1,268,409
Trade receivables	13	**1,530,354**	1,621,809
Deposits, prepayments and other receivables	13	**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

	Note	Unaudited 30th June 2019 US$'000	Audited 31st December 2018 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital		**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		**285,649**	355,731
Lease liabilities	*12*	**33,709**	—
Deferred income tax liabilities		**42,272**	41,028
Pension obligations		**10,805**	10,754
Other payables and accruals	*14*	**100,830**	118,991
Derivative financial instruments		**3,058**	18,888
Provisions		**1,764**	1,458
		478,087	546,850
Current liabilities			
Trade payables	*14*	**1,760,286**	1,805,125
Other payables and accruals	*14*	**745,130**	865,882
Current income tax liabilities		**23,944**	14,000
Warranty and other provisions		**169,755**	177,713
Lease liabilities	*12*	**15,652**	—
Derivative financial instruments		**59,645**	92,298
Borrowings		**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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30th June 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.

2 ACCOUNTING POLICIES

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31st December 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 2.1 below. All other amendments to standards and interpretation listed above do not have a significant effect on the Group's accounting policies.

(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	Definition of a business	1st January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1st January 2020
HKFRS 17	Insurance contracts	1st January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Note

Note: To be announced by HKICPA

2.1 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 of 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

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Any prepaid or accrued lease payments relating to these leases recognized in the consolidated balance sheet as at 31st December 2018 were adjusted to retained earnings at the date of initial application. 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	As at 1st January 2019
	US$'000	*US$'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

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**	**Effects of the adoption of HKFRS 16**	**1st January 2019 Restated**
	US$'000	*US$'000*	*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)

(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 all 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	**Increase in segment assets as at 30th June 2019**
	US$'000	*US$'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.

(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)–4 "Determining whether an Arrangement contains a Lease".

(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.

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

Estimation uncertainty arising from 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%.

(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.

3 ESTIMATES

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that were applied to the consolidated financial statements for the year ended 31st December 2018, except for the impact from the changes in accounting policies as disclosed in Note 2.1.

4 SEGMENT INFORMATION

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

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

The Group is organized on a worldwide basis into three main operating segments: (i) Monitors; (ii) TVs; and (iii) Others. Others mainly comprise the sales of 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.

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	**TVs**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'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)**

	For the six months ended 30th June 2018			
	Monitors	TVs	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	2,469,696	1,863,749	178,156	4,511,601
Adjusted operating profit/(loss)	81,618	(46,596)	(16,680)	18,342
Depreciation of property, plant and equipment	(23,643)	(37,599)	(155)	(61,397)
Amortization of land use rights	—	—	(249)	(249)
Amortization of intangible assets	(3,519)	(25,472)	(3,783)	(32,774)
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	**TVs**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Segment assets	**2,343,836**	**1,674,679**	**156,344**	**4,174,859**

	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

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

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

	As at 30th June 2019	As at 31st December 2018
	US$'000	*US$'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

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 People's Republic of China (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 *US$'000*	As at 31st December 2018 *US$'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

5 OPERATING PROFIT

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

	Six months ended 30th June	
	2019 *US$'000*	2018 *US$'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)
Operating lease rental for 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	**(3,757)**	(29,788)
Charge for warranty provision	**(62,503)**	(60,268)
Provision for restructuring and other provisions	**(318)**	(1,084)

6 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)

7 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.

8 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)

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 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.

10 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).

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

	Intangible assets *US$'000*	**Property, plant and equipment** *US$'000*	**Land use rights** *US$'000*	**Investment properties** *US$'000*
Six months ended 30th June 2019				
Opening net book amount at 1st January 2019	**530,306**	**491,276**	**16,176**	**232,260**
Changes in accounting policies *(Note 2.1)*	**—**	**—**	**(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**
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

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 income statement.

12 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Right-of-use assets

	Buildings	Land use rights	Machinery and equipment	Transportation equipment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1st January 2019	—	—	—	—	—
Changes in accounting policies *(Note 2.1)*	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

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

	Six months ended 30 June 2019
	US$'000
Depreciation charge of right-of-use assets	**6,732**
Unwinding of interests on lease liabilities	**1,350**
Operating lease rental for 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.

13 TRADE AND OTHER RECEIVABLES, DEPOSITS, AND PREPAYMENTS

	As at 30th June 2019	As at 31st December 2018
	US$'000	*US$'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

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

14 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	**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	**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

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

	As at 30th June 2019	As at 31st December 2018
	US$'000	*US$'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

15 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.

16 COMMITMENTS

(a) Capital commitments

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

	As at 30th June 2019	As at 31st December 2018
	US$'000	*US$'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:

	As at 30th June 2019	As at 31st December 2018
	US$'000	*US$'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

17 EVENT AFTER THE BALANCE SHEET DATE

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

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).

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 to 10 percent for commoditised sizes up to 49-inch to 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"), a wholly-owned subsidiary of China Electronics Corporation ("CEC"), which is a substantial shareholder of TPV, put forward a proposal for the privatisation and withdrawal of the Group's listing status at a price of HK$3.86 per share. A joint announcement was published by CEIEC and the Group on 12th August 2019 for shareholders information.

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.

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 utilized (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

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.

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 REPORT

The Interim Report for the six months ended 30th June 2019 will be despatched to shareholders and will be published on the websites of the Exchange (www.hkex.com.hk) and Singapore Exchange Limited (www.sgx.com) as well as the website of the Company (www.tpv-tech.com) in due course. Printed copies will be sent to shareholders who have elected to receive printed copies on or about 10th September 2019.

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

Hong Kong, 15th August 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.