

ANNUAL REPORT

2016

Corporate Information

DIRECTORS

Executive Director

Dr Hsuan, Jason (Chairman and Chief Executive Officer)

Non-executive Directors

Mr Liu Liehong

Dr Li Jun

Ms Jia Haiying

Ms Bi Xianghui

Independent Non-executive Directors

Mr Chan Boon Teong

Dr Ku Chia-Tai

Mr Wong Chi Keung

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HONG KONG OFFICE

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

LEGAL ADVISORS

Appleby

Kirkland & Ellis International LLP

PRINCIPAL BANKERS

Agricultural Bank of China Limited

Australia and New Zealand Banking Group Limited

Bank of China Limited

Bank SinoPac

China Construction Bank Corporation

CTBC Bank Co., Ltd.

Industrial and Commercial Bank of China Limited

JPMorgan Chase Bank, N.A.

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

COMPANY SECRETARY

Ms Lee Wa Ying

PRINCIPAL SHARE REGISTRAR

Estera Management (Bermuda) Limited

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

SINGAPORE SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

COMPANY WEBSITE

www.tpv-tech.com

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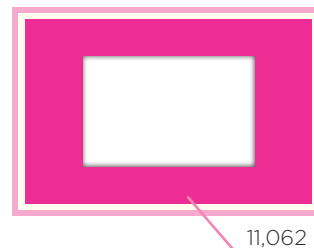
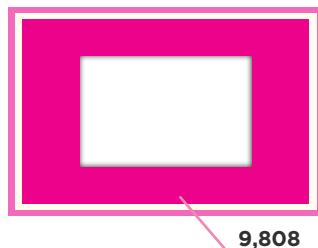
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Financial Highlights

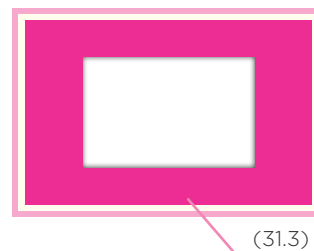
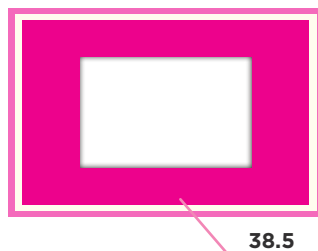
2016

2015

CONSOLIDATED REVENUE (US\$ MILLION)

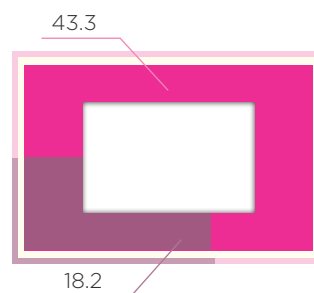
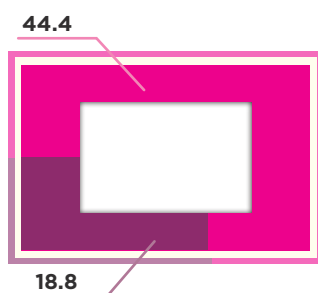


PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (US\$ MILLION)



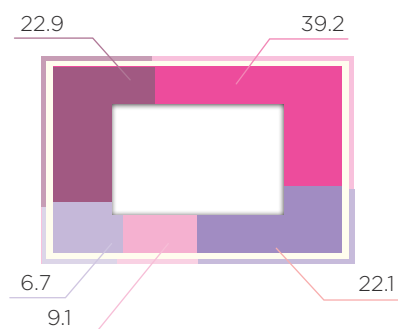
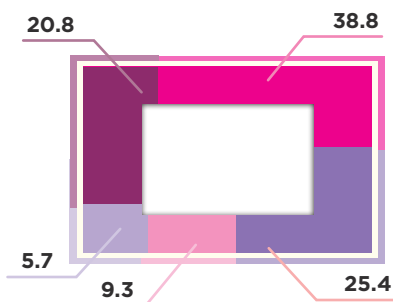
SHIPMENT BY PRODUCT SEGMENT (MILLION UNITS)

- Monitor
- TV



REVENUE BY GEOGRAPHIC REGIONS (%)

- Europe
- PRC
- North America
- South America
- Rest of the World



	2016	2015	2014	2013	2012
OPERATING RESULTS (US\$'000)					
Consolidated revenue	9,808,337	11,061,525	11,908,077	11,972,698	11,974,836
Profit/(loss) attributable to owners of the Company	38,523	(31,337)	(5,460)	(47,246)	112,408
Basic earnings/(loss) per share (US cents)	1.64	(1.34)	(0.23)	(2.01)	4.79
Dividends per share (US cents)	0.49	0.128	0.128	0.128	1.430
FINANCIAL POSITION (US\$'000)					
Total assets	5,878,819	5,931,579	6,453,138	6,258,694	6,448,500
Cash and bank balances	630,010	453,625	506,213	364,560	497,871
Total borrowings and loans	535,238	587,046	488,520	523,796	422,352
Equity attributable to owners of the Company	1,680,847	1,623,577	1,672,581	1,767,126	1,874,899
KEY FINANCIAL RATIOS					
Inventory turnover (days)	54.4	48.9	47.1	45.7	40.6
Trade receivables turnover (days)	74.1	70.2	68.2	69.7	71.9
Trade payables turnover (days)	89.2	84.8	82.6	77.9	72.6
Return on equity (%)	2.3	n/a	n/a	n/a	6.0
Return on assets (%)	0.7	n/a	n/a	n/a	1.9
Current ratio (%)	120.9	117.7	109.2	110.8	121.6
Gearing ratio* (%)	14.5	16.0	15.6	12.8	12.2
Interest coverage (times)	3.6	1.1	0.8	0.1	2.8
Dividend payout ratio (%)	29.8	n/a	n/a	n/a	29.8

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

Note: The comparative figures for years ended 31st December 2013 and 2012 in the financial highlights have not been restated using merger accounting for common control business combinations as the information is not readily available and the cost to develop it would be excessive..

Chairman's Statement



We must always be prepared for unexpected events. That is especially true in the LCD business.

DEAR SHAREHOLDERS,

After two diligent years of multiple restructuring and transformation programs, I am pleased to announce that in 2015, our efforts began to bear fruit. The consolidation of the two manufacturing plants in Manaus, Brazil, into one, the setting up of a single-billing entity for the European sales operations, and the integration of back office functions at shared services centers in Gorzow, Poland, Prague, Czech Republic, St Petersburg, Russia and Sao Paulo, Brazil, have helped to bring down the cost of operations by more than 10 percent (in local currency terms) year on year, not to mention the tangible and intangible benefits of the formation of a single European innovation center in Ghent, Belgium, and the merging of the two legal entities in Russia.

Although our financial performance last year was lower than expected due to the global economic slowdown and volatile, unpredictable currency markets, I am delighted that, in fact, we strengthened our business and operations. In particular, the TV business teams managed to weather the difficult market conditions and achieve growth in shipments and revenue. Last year, the TV market was particularly challenging; demand was either flat or suffered a decline, and shipments to emerging markets slowed significantly due to economic instabilities in individual countries. As a result, global shipment recorded its first ever decline. In face of this, we reacted quickly by adjusting our product and marketing strategies. We pulled back from highrisk markets like Russia, where domestic demand took a big hit from the devaluation of the Ruble. In Latin America and Europe, it was also expedient for us to stay cautious amid uncertainties. In addition, we achieved impressive results in China: Philips TV is now established as the best-selling imported brand in China, which shows that our efforts to renew product offerings, distribution channels, and branding over the last few years has started to pay dividends.

On top of this, I am happy to share that we have added new clients and strengthened our position as a TV original design manufacturer ("ODM"), thanks largely to the growth of Internet TV which helped to stabilize our performance during this challenging time. The future of TPV relies on the success of both the ODM and the own brand manufacturer ("OBM") components of our operations, and by developing them along side each other, we are building a brighter, more sustainable future for the Group.

In 2015, the monitor market also faced obstacles. The downturn of the desktop PC market directly affected monitor demand to the point where it witnessed its biggest decline in a decade, as is reflected in our segment performance. The good news is that the segment's profit margins expanded and the average selling price increased. The profit contributed was higher than that of the year before, all thanks to our tenacity several years ago in exploring niche markets, including public display and professional monitors. These niche markets now account for about 5 percent of our total monitor shipments, and they are still growing. According to the global research agency IHS, the public display market will see growth at a compounded annual rate of about 9 percent between 2013 and 2019. This will benefit TPV directly as we are a key market player. In addition, IHS projects that the monitor market will stabilize in the near future, which will favor our business.

There is a fundamental change taking place in the TV industry. The growing popularity of video streaming, the plethora of digital devices available on the market, plus rapid technological advancements, have led to the desire for “high-quality”, “smart”, and “large-screen” displays at reasonable prices. We need to adopt completely new concepts and devise corresponding execution protocols throughout the entire organization to adapt successfully to these changes.

In the past years, we have identified structural deficiencies and certain execution issues that were causing unnecessary costs. We therefore established clear strategies, at all levels of the Company, to readjust and restore financial performance. We shall take action with the prime objective of aligning our cost structure with our revenue, through streamlining business processes and further investing in systems. To better control warranty costs, in Europe, we will relocate the after sales services from third-party vendors to in-house. We can also benefit from getting first-hand feedback from our customers to improve our product designs more quickly. A further measure to reduce costs is to retire products that don't sell well and reduce the number of TV SKUs (“stock-keeping units”) from over 250 to around 150, thus mitigating risk.

On the manufacturing front, we shall permanently shut down surplus capacities, an example of which is the recently announced closure of our Jundiai plant in Brazil. While we continue to invest in technology and systems to improve efficiency, we shall be disciplined in our capital investment to conserve cash reserves. These measures may probably bring short-term discomfort but I truly believe that, over time, they will lead to improved financial performance and enhanced shareholder value.

With all the reorganization and transformation programs that we have undertaken over the last few years, we have recognized that the business is evolving from a manufacturing enterprise to a hi-tech company. This change is natural, and by embracing it we are ensuring the sustainable development of TPV's long-term future.

APPRECIATION

I express my sincere thanks for the unquestioning support of our shareholders, customers, partners, and employees. My gratitude goes to our Board of Directors for their invaluable guidance. Furthermore, I'd like to thank Mr Du Heping, who retired from the position of non-executive director, and would like to welcome Ms Bi Xianghui. With the continuing support from the individuals and teams who have contributed so much to TPV over the years, together we can make 2016 a great success.

DR HSUAN, JASON

Chairman and Chief Executive Officer

Hong Kong, 17th March 2016



Management Discussion and Analysis

The past year was marked by a global economy whose direction often proved uncertain. Regional conflicts flared across parts of Ukraine, Europe experienced stagnant economic growth and deflationary pressure, and most currencies, especially commodities' currencies, depreciated heavily against the U.S. dollar. Despite these challenges, the display industry recorded a satisfactory year. Worldwide TV shipments reached 223 million as demand surged 7 percent compared to last year. The uptick was driven by an economic recovery in the U.S. and steady growth in the Asia-Pacific markets. Nevertheless, monitor demand remained weak overall, and full year shipment declined to 135 million units, down 5 percent year-on-year.

In contrast, panel prices rose and held firm throughout the year. There was even a shortage in certain screen sizes, such as monitors measuring 18.5", 21.5" and 23.6" and TVs measuring 32", 40" and 55". These developments were fueled by panel suppliers' focusing their capacities in responding to a growing market for large-sized displays coupled with a robust demand for small-sized panels for tablet and mobile devices.

GROUP PERFORMANCE

The Group's performance significantly improved compared to last year. This encouraging turnaround stemmed from the Group's efforts in channel and inventory management. Consolidated revenue stood at US\$11.7 billion (2013: US\$12 billion), and profit attributable to shareholders was US\$41.8 million (2013: loss of US\$47.2 million). The Group also saw its gross profit ("GP") margin ascend to 8.5 percent (2013: 7.2 percent).

Our TV business reported encouraging results, both in terms of volume and profitability. During the year, TPV shipped 17.2 million TV sets, a notable increase of 18.3 percent (2013: 14.5 million sets) that was powered by good growth in the ODM business, where we diversified the customer base and won increased support from existing clients. This shipment figure places the Group third in the global TV market. Segment revenue, however, came in flat at US\$4.9 billion (2013: US\$5 billion) because ODM orders were primarily mid-to-low-range products. As a result, the ASP dipped to US\$287.90 (2013: US\$345.40).

On the other hand, the business segment's profitability improved satisfactorily. GP margin grew from 8.3 percent last year to 10.5 percent. This expansion was attributed to several factors: a strong product line-up that was accompanied by an effective marketing strategy to generate stock rotation, a flexible organizational structure to swiftly respond to market needs, and the implementation of reorganized sales and distribution channels to achieve a thoughtful balance between market share and profitability.

These results reflected on substantial behind-the-scenes improvements in our business model. Our consolidated shareholding in TP Vision allowed a full integration in operations in a way that heightened efficiency and save costs. While TP Vision still recorded a loss of US\$170.5 million (2013: US\$233.2 million) at operating level this year, we are glad to see its performance improving steadily. Consequently, the Group's TV business reported an operating loss of US\$51.4 million, which was 75.9 percent lower than last year.

In the monitor segment, TPV maintained its dominant position by shipping 48.5 million units (2013: 54 million units), which equaled 36 percent market share. Segment revenue, however, contracted from US\$5.7 billion last year to US\$5.2 billion. The retreats in volume and revenue were compensated by a higher ASP at US\$107.80



(2013: US\$104.80) which the Group sold more large-screen sizes and models with better features during the year. Profitability also enhanced in which GP margin increased to 7.9 percent (2013: 7.1 percent). As a result, the monitor business recorded an operating profit of US\$125.3 million (2013: US\$214.4 million). The figure was comparable to 2013 which included an one-time gains of US\$89 million from disposal of fixed assets.

OPERATIONS REVIEW

Organizational change was the mantra this past year for TP Vision. Immediately after it becomes the Group's subsidiary in June, we conducted a number of changes, including a restructuring worldwide that divided operations into four sales regions, two innovation and development centers and seven sales organizations. We also set up two shared service centers to handle mid- and back-office functions for the Europe region. This more logical and simplified structure will accelerate vital decision-making and responsiveness to market movements. We will also be better able to steer strategy to directly align with local customers' needs. In a similar vein, the Group reorganized the billing system to be more straightforward in serving our tax and operational needs. Furthermore, we consolidated and shifted certain financial operations from TP Vision to TPV, including our accounting system, management reporting, treasury and other functions for central management. Finally, we integrated other systems with TPV's existing network so that processes and management practices are as standardized as possible across the Group.

Mindful of mitigating inventory risk in a dynamic market environment, the Group placed particular emphasis on stock management, not merely monitoring the movement of stock on hand but also its sequencing channel by channel. The Group also appropriately adjusted its marketing strategy to spur stock variation. These efforts proved fruitful as we saw a significant reduction in inventory-related losses and costs.

PRODUCTION

A number of initiatives and enhancements were implemented on the production lines that further improved the Group's cost structure as well as elevated efficiency and competitiveness. The Group redesigned and integrated a TV and LCM production line in Xiamen factory. This new approach speeds up the entire production flow as well as saves manpower and logistics costs. In addition, we introduced a 'just-in-time' panel inventory system to shorten TV production lead times by three days. Furthermore, we proliferated the presence and use of automation throughout the entire production process.

These new measures have proved successful and effective. We fully intend in 2015 to extend these initiatives to other factories.

RESEARCH AND DEVELOPMENT

On this front, the Group is especially pleased to report a host of beneficial changes and achievements. These included the official debut of a new innovation site in Europe and an innovation complex in Xiamen becoming operational in September. The new innovation center in Ghent, Belgium represents our large-scale organizational change as it combines the research and development that had been based in Eindhoven, The Netherlands, and in Bruges, Belgium, for product strategy, concept and development. In other measures, we bolstered teams that were already in place in China, Taipei, and Bangalore, India. These shifts helped us cut costs but maintain technological expertise. Now more than ever, TPV possesses a highly competent roster of talented engineers and support staff drawing upon international perspectives and valuable skillsets.

Management Discussion and Analysis



With respect to products, TP Vision unveiled an Android-based Smart TV, the first of its kind, in Europe in May. Moreover, the Group introduced several noteworthy products, ranging from new ultra-high definition (UHD) and curved screen TVs to exciting innovative models with updated features, designs and materials. To build on our progress, we formulated teams to focus on new technologies such as quantum dot (QD) and multi-connection display products.

As a gratifying culmination of careful in-house research, we obtained a patent for the Group's anti-blue light technology to protect eyes from overload and deteriorating vision. This patent was just one of more than 250 patents we secured last year.

HUMAN RESOURCES

As at 31st December 2014, the Group had a total workforce of 31,589 (2013: 32,906) worldwide. Once again, our employees were remunerated in accordance with industry practice in the locations where they

worked. We maintain our belief that our employees are the Group's most valuable assets. Acting on this belief, we made available classroom and on-the-job training opportunities that encompassed technical, functional and soft skills. As a rule, we encourage employees to study and grow with the Group. We recognize that only when our people are given adequate room to flourish will the Group likewise perform at its best.

Going further, the Group encourages work-life balance for all staff. Accordingly, we keenly organized social activities to foster team building and endeavored to cultivate a nurturing, uplifting and harmonious working and living environment.

OUTLOOK

Clearly, global economic uncertainties will pose formidable challenges to our business outlook. Several developments bear watching, including Europe's lengthy recovery, China's slowing growth, and the cost pressures associated with a more robust On the other hand, the business segment's profitability improved satisfactorily. GP margin grew from 8.3 percent last year to 10.5 percent. This expansion was attributed to several factors: a strong product line-up that was accompanied by an effective marketing strategy to generate stock rotation, a flexible organizational structure to swiftly respond to market needs, and the implementation of reorganized sales and distribution channels to achieve a thoughtful balance between market share and profitability.

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Environmental, Social and Governance Report

HOW WE REPORT

This is the first Environmental, Social and Governance (“ESG”) Report (the “report”) for the Group. The report describes TPV’s approach to ESG practices and the relevant performance and achievements for the year ended 31st December 2016. It serves as a first step in demonstrating the Group’s commitment towards a more transparent ESG disclosure.

The scope of this report covers the key functions in TPV’s major business, including I&D, procurement, manufacturing, sales, customer services and human resources of TVs and monitors, with operations spanning the PRC, Europe, North and South America, Hong Kong and Taiwan. The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Main Board Listing Rules issued by the Exchange in 2015.

OUR APPROACH TO ESG

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

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



Stakeholder Engagement and Materiality Assessment

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

In 2016, the Group conducted interviews with our key stakeholders including employees, customers and suppliers to understand their views on ESG matters and how the Group can contribute to address them. We are pleased to report that our key stakeholders recognize our achievements in talent management and community involvement. As a key market player in monitor and TV manufacturing, the Group bear the expectations to bring positive influence to our industry by sharing good ESG practices in our operations.

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

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

Units 1208-16, 12th Floor,
C-Bons International Center,
108 Wai Yip Street, Kwun Tong,
Kowloon, Hong Kong
Fax: (852) 2546 8884

COMMITMENT TO OUR PEOPLE

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

Recruiting and Retaining Talent

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

In China, we collaborate with various institutions to expand our talent pipelines. Participating institutions include top universities, e.g. Fuzhou University and Xiamen University of Technology. Shortlisted candidates work closely with our in-house engineers on product innovations such as display technologies with higher definition yet lower power consumption. Outstanding students are recruited by TPV to become part of our family. More than 300 students have benefited from this program since it was launched in 2009.

We reward and promote our people based on assessment of individual performance, capability and potential. Promotion based on merit provides potential avenues for employees to aspire to higher grades, so as to maintain a clear and stable career development structure enabling the advancement and retention of quality staff. We offer competitive remuneration packages in accordance with industry practices, and the packages are reviewed regularly to remain competitive within the market. We also operate various retirement schemes, including pension plans and post-employment medical plans in different entities in accordance with local rules and regulations.

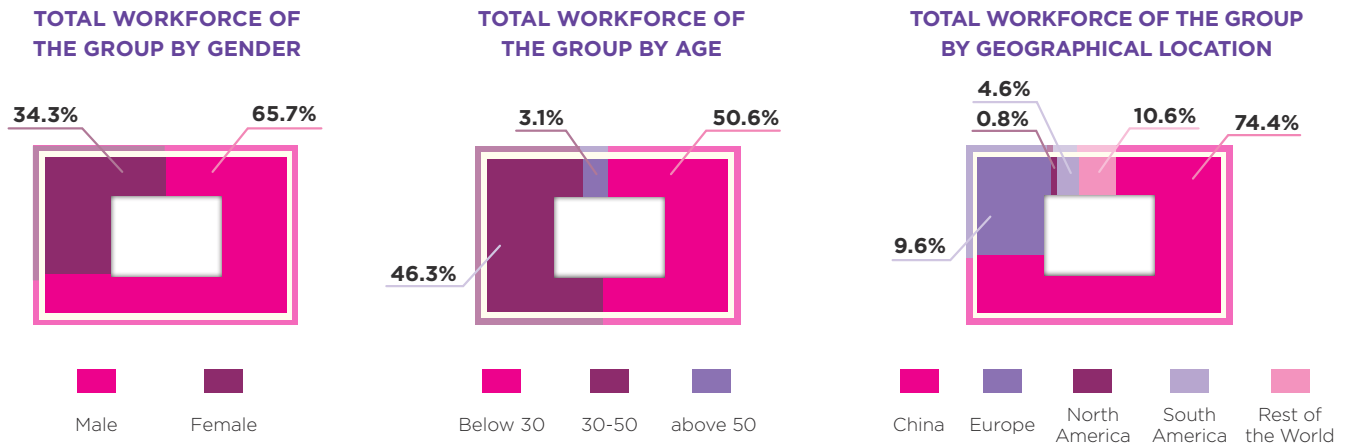
TPV is committed to providing our employees with an inclusive workplace that embraces and promotes diversity and equal opportunity. During the year, we have organized many social activities, such as soccer games, a basketball league and hiking expeditions, etc. to foster team building and to create a harmonious working environment.



In Brazil, we formed two teams with employees of the warehouse area to participate in the 12th Championship Male Soccer of Metalworkers Union during June to July 2016. Our teams competed with other companies from the Industrial Pole of Manaus

Environmental, Social and Governance Report

COMMITMENT TO OUR PEOPLE (CONTINUED)



Training and Development

We support employees' growth and in doing so, we strive to realize the full potential of our workforce. We have a three-pronged focus on training, covering technical, functional, and soft-skill topics. Our training programs are regularly updated to mirror our ever-changing business needs. We also endeavour to inspire our employees to pursue further knowledge and encourage them to undertake lifelong learning.



We held outbound activities in Xiamen for team building



In order to encourage our employees to build up reading habit, we set up libraries and arrange Regular Reading Seminars every week

COMMITMENT TO OUR PEOPLE (CONTINUED)

Promoting Health, Safety and Well-being

The health and safety of our employees is our highest priority. Our Health and Safety (“H&S”) Committee has been established to identify, assess and mitigate H&S-related risks across our operations. We have set up and implemented a health and safety management systems in line with local regulatory requirements and/or international standards such as OHSAS 18001. We provide safety training to employees as a preventive measure and we have zero work-related fatalities during the reporting period. We extend our H&S practices to our contractors and subcontractors, who are expected to report to TPV on any incidents during their course of work. According to local laws and regulations, we adopt various employee insurance and social insurance plans.

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

Labour Standards

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

Regulatory Compliance

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

COMMITMENT TO OUR CUSTOMERS

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

Product Quality Management

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

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

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

Product Innovation

Continual innovation is essential in our fast-changing industry. During 2016, we introduced a number of new products, including the OLED 4K TV launched under the Philips brand, which features Ambilight to deliver exceptional color vibrancy and boast a huge contrast ratio. Another key product launched in 2016 is AGON, a premium gaming monitor incorporating high-performance chipsets to give gamers clear and detailed graphics and sharper action sequences. During 2016, we added 101 patents relating to TVs and monitors, raising the Group’s total number of patents to 842.

Environmental, Social and Governance Report

COMMITMENT TO OUR CUSTOMERS (CONTINUED)

Product Innovation (Continued)

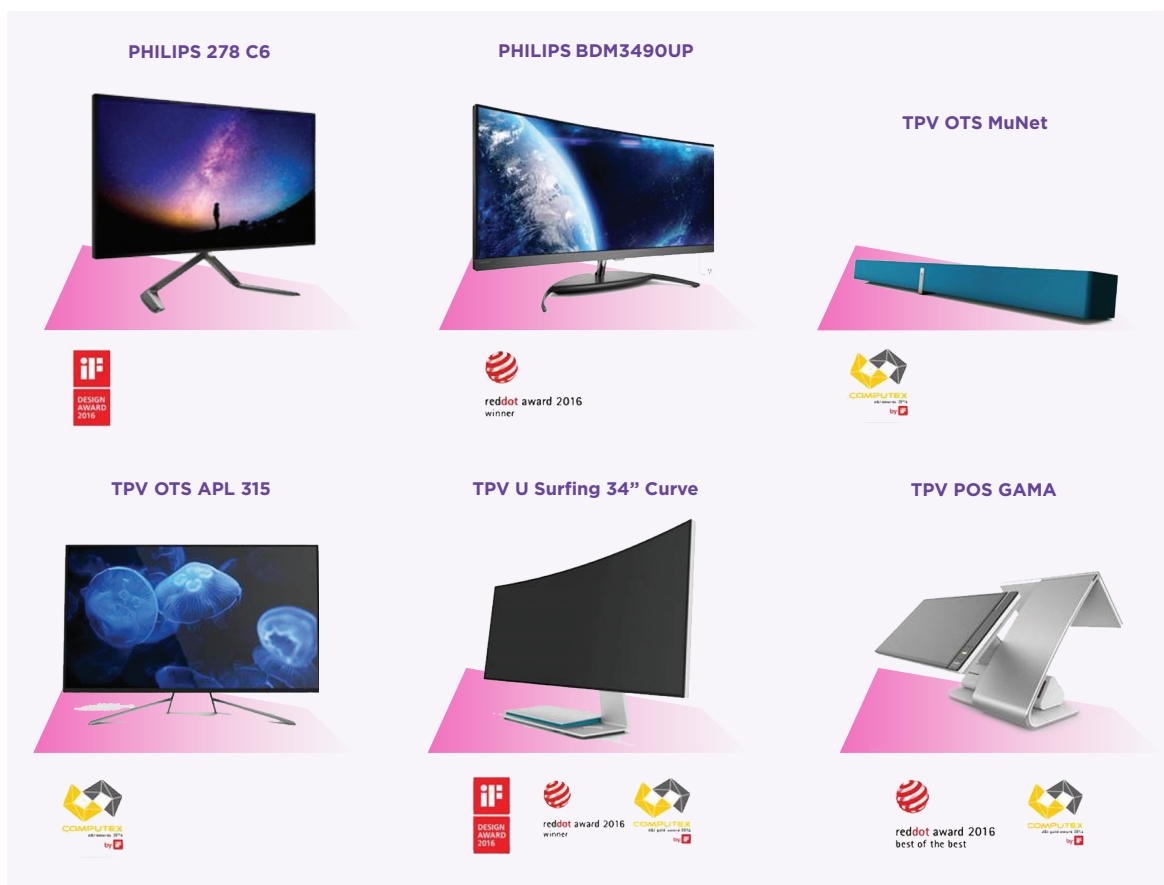
TPV has set up innovation centres to foster and coordinate new ideas on product design and functional enhancement. For instance, Innovation Site Europe (“ISE”) has a strong focus on various product domains including connectivity, displays, audio and video processing, and it also drives sustainability via innovative power and materials solutions. Through collaboration with research institutes and universities, ISE strengthens its capabilities in product enhancement. For example, the HD²R project, in which we cooperate with university project partners from iMinds, aims to optimize the viewing experience via a high dynamic range of colors, contrast and brightness. This project carries out pioneering experiments to achieve the optimal and reliable visual quality, conversion and colour correction of high dynamic range images which are the next step forward in visualization technology in the imaging chain for cinemas and living rooms. Additionally, to improve the resource efficiency of electronics, the GreenElec project is concerned with the designing and manufacturing of electronics that enable more effective recycling, in cooperation with manufacturers and recyclers.

Awards

During 2016, we collected several industry awards, including the IFA Best Product Award, the ELSA Award 2016/2017 Best Buy Large Screen TV, the iF Awards, the Red Dot Awards and the Computex d&I Awards, among others.

For example, the new Philips 7101 series received 2016 product awards from both the iF and Red Dot, while the 5231 small screen series with its ‘all-in-one solution’, which combines a TV, Bluetooth speaker and monitor, was distinguished with a Red Dot product design award.

Moreover, our ODM customers have chosen us as their best supplier for major PC brands in the categories of product design, quality and service which will help to strengthen the Group’s relationships with these long-term customers, consolidating our leading position within the industry.



COMMITMENT TO OUR CUSTOMERS (CONTINUED)

Sustainable Product Design

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

Customer Satisfaction Management

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

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

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

We respect customers' data privacy and their rights to personal information gathered by our products and services. Data and privacy protection procedures are in place and communicated to our employees through regular training. All collected personal data is accessible only by authorized personnel and the data is handled in a confidential manner. Our product development process takes the terms of non-disclosure agreement of the customers as the basis of data privacy or data protection. For example, in TP Vision Europe B.V., we have the Smart TV Privacy Policy which is based on Dutch and EU laws. We are also in the process of introducing a privacy policy for TP Vision employees which explains how they should treat personal data. This policy is currently under review by the Works Council.

Product Advertising and Labelling

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

Regulatory Compliance

In 2016, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning product responsibility.

Environmental, Social and Governance Report

OUR COMMITMENT TO BUSINESS PARTNERS

As an international business, we source from over 16,000 suppliers globally. We regard our suppliers as important business partners and we continually strive to forge and maintain close and supportive relationships with them, through engagement and collaboration, to maintain a healthy business ecosystem.

Supply Chain Management

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

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

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

Engaging Suppliers

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

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

ANTI-CORRUPTION

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

Regulatory Compliance

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

COMMITMENT TO OUR ENVIRONMENT

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

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

Emissions

Air and greenhouse gases (“GHG”) emissions

We make an on-going effort to manage and reduce our air and GHG emissions. In China, TPV Electronics (Fujian) Company Limited initiated a program to substitute diesel-fired boilers with natural gas-fired boilers in order to lower the associated air and GHG emissions. In order to reduce GHG emissions, all of TPV’s production lines have switched to a new, environmentally friendly degreasing agent that contains no ozone depleting substances. Additionally, we encourage carpooling throughout our operations to reduce the number of vehicles in use.

Our Scope 1 and Scope 2 GHG emissions during 2016 are indicated as the following:

GHG emissions	(tons CO ₂ e)
Scope 1 (direct emissions from operation processes)	8,620
Scope 2 (Indirect emissions from purchased energy sources such as electricity)	101,898
Total	110,518

Wastewater

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



Newly built wastewater facility in Xiamen factory in July 2016

Environmental, Social and Governance Report

COMMITMENT TO OUR ENVIRONMENT (CONTINUED)

Waste

We have implemented waste management procedures to guide proper waste segregation, storage and handling practices for waste generated from our operations. Our waste management practices encourage reduction from the source, reuse, and recycling, through the adoption of advanced technologies and the improvement of process efficiency. Any waste generated is properly handled by qualified third parties. To enable orderly transportation of our hazardous waste to disposal facilities by trucks, we adhere to a trip ticket system in accordance with the respective local regulations of the locations within which we operate.

In 2016, a total of 189 tons of hazardous waste and 28,504 tons of non-hazardous waste were generated.

We have enhanced our production techniques in order to improve quality and productivity and to minimize hazardous waste generation. The soldering process at our mainland China manufacturing operation was revamped to lower consumption of soldering materials and to reduce tin waste generation.

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

Use of Resources

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

Energy

We have implemented a number of energy-saving measures. For example, our manufacturing operation in Poland, TPV Displays Polska Sp.z.o.o, installed LED lamps in eight production lines which reduced the respective power consumption by 55% during 2016. Furthermore, forklift batteries have been replaced by waterless battery types to reduce power consumption. Envision Indústria de Produtos Eletrônicos Ltda replaced its chiller cooling system by employing air conditioning with a more efficient timer control. Lighting controls and motion sensors have been installed in the rooms to automatically turn off lights at vacant rooms for energy saving.

In 2016, TPV's direct and indirect energy consumption was as follows:

Direct energy consumption	
Bitumen	3 Tons
Gas work gas	9,287 m ³
Liquefied petroleum gases	3,765 m ³
Natural gas	969,617 m ³
Diesel oil	67,677 Litre
Lubricants	498 Litre
Motor gasoline	216,925 Litre
Indirect energy consumption	
Purchases electricity	149,287,472 kWh

COMMITMENT TO OUR ENVIRONMENT (CONTINUED)

Water

Water is used mainly for domestic purposes at our sites. Water conservation is one of our key performance indicators for performance assessment - we monitor our water consumption and encourage our employees to save water. At our Taipei headquarters, water saving devices have been installed in taps and toilets. Similarly, sink taps with automatic timers have been installed at our Brazil manufacturing operations to improve water efficiency.

In 2016, we consumed a total of 1.7 million m³ freshwater which is approximately 53.3 m³ per employee.

Material use

TPV is committed to providing environmentally responsible packaging materials for its products. For example, both TPV Displays Polska Sp.z.o.o and Envision Indústria de Produtos Eletrônicos Ltda, our manufacturing operations in Poland and Brazil, recover and reuse packaging waste, such as cardboard, which saves thousands of trees each year. Our manufacturing operation in China, TPV Display Technology (Xiamen) Company Limited, has streamlined the production process in order to reduce the packaging materials.

During the year, we consumed a total of 102,651 tons of packaging materials with a packaging material intensity of 2.1 kg per unit of product.

The Environment and Natural Resources

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

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

We invest in making our facilities greener by adopting principles of land optimisation, energy and water conservation, material economization and green construction. Our office in Shanghai and production plants in Qingdao, for example, have incorporated sustainable design features and have been awarded the "Certificate of Green Building Design Label" from the Ministry of Housing and Urban-Rural Development of the PRC.

Regulatory Compliance

The Group was not aware of any other non-compliance of laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste during 2016.

COMMITMENT TO OUR COMMUNITY

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

We uphold our commitment to the community through employee volunteering and donations in kind or in cash. Our employees contributed more than 9,500 hours in delivering community services and the Group has donated more than US\$ 527,190 to support various community initiatives during the year.

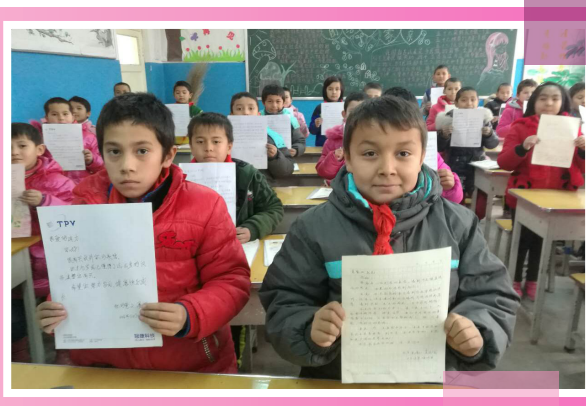
Environmental, Social and Governance Report

COMMITMENT TO OUR COMMUNITY (CONTINUED)

Supporting the Youth

One to One Subsidization Project

In 2016, we continued to support the “One to One Subsidization” project aimed at providing education for ethnic minority students from underprivileged rural families in the Xinjiang Uyghur Autonomous Region in the PRC. The Project was first initiated by the Group’s chairman and CEO, Dr. Hsuan, Jason in 2012 and has been operated in collaboration with the Beijing Meijiang Education Foundation. The Group has been sponsoring tuition fees for eligible students since the commencement of the project. In addition, the Group encourages its employees to foster mentorship relationships with the students by conversing through letters, gifts, video calls and visits. In 2016, this project reached out to more than 150 students in Beijing, Xiamen and Fuqing.



Through gifts and letters, we show our love and support to Meijiang students

Cross-strait sister schools

TPV has always believed that education is a crucial component of community empowerment. Our efforts in supporting cross-strait exchanges demonstrate our commitment. For example, during March 2016, the Group arranged a one week-trip for teachers and students from Chongwen Elementary School in Fuqing City of Fujian Province to visit Zhong-He Elementary School in Taipei City, Taiwan. Participating teachers and students conducted classes and workshops to share ideas and exchange insight for future development. Such cultural exchanges propelled students towards understanding and accommodating an array of various community aspects.



We held gatherings for students in China and Taiwan and to promote cross-strait exchanges. Our chairman and CEO, Dr. Hsuan, Jason has participated actively in those activities



One-week exchange trip for teachers and students from Chongwen Elementary School in Fuqing County, Xiamen City of Southern China to visit Zhong-He Elementary School in Taipei City, Taiwan was held in March 2016

COMMITMENT TO OUR COMMUNITY (CONTINUED)

Youth Development

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

Supporting the Underprivileged

Running, TPV!

“Running, TPV!”, a charity sports event held by the Group, is a fundraiser for children’s education in Xinjiang. From 2015 to 2016, more than 3,000 TPV employees participated in the event, including the Group’s Chairman and CEO. The Group donated RMB11.1 for every kilometer and more than RMB170,000 was raised from the event. The amount “11.1” also symbolizes “one heart one vision”, encapsulating TPV’s devotion to the provision of education for the next generation.



Running, TPV! has been held in Taipei, Xiamen, Wuhan, Qingdao, Beijing, Fuzhou to raise funds for children's education in Xinjiang

Other support

The Group has been collaborating with a multitude of organizations by making donations to support their charitable causes. These include the Red Cross, the Disabled Persons’ Association and the Youth Foundation.

We believe in empowerment as an effective way to support those in need. Leveraging what we do best, we bring TV sets to the underprivileged with the intent to facilitate information exchange, learning opportunities and happiness. During the year, TPV Vision Europe donated TV sets to Ronald McDonald House Charities with an aim to brighten the lives of the residents and to bring happiness to these seriously ill children and their parents. Trend Smart in the USA acknowledges the need to support local churches and school facilities. TV samples and prototypes are refurbished and donated to local churches and school facilities.

Environmental, Social and Governance Report

COMMITMENT TO OUR COMMUNITY (CONTINUED)

Environmental Conservation

Environmental conservation is an important part of sustainability development. In 2016, we formed a partnership with the SEE Foundation which focuses on desertification prevention and biodiversity protection. In October 2016, we sponsored the “Love in Amoy Island” programme. More than 100 teachers and students from Xiamen, Fuqing and Taipei participated in a series of environmental conservation activities, such as beach cleaning and outdoor classes in the wild, to raise awareness about environmental conservation and biodiversity protection.

Furthermore, TPV encourages its employees in environmental and community matters. In addition to the beach cleaning in Qingdao, our Fuqing operations arranged a donation of clothes to the Fuzhou Ma Changbai Charitable Organization.



Beach clean-up activity under the Love in Amoy Island program in October 2016



We donated clothes to Fuzhou Ma Changbai Charitable Organization

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

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